DEVELOPMENT PROPOSAL FOR A MIXED-USE PROJECT

ARLINGTON, VA

Drew T Morettini

Practicum Advisor: David Sislen

A practicum thesis submitted to Johns Hopkins University in conformity with the requirements for the degree of Master of Science in Real Estate

Baltimore, Maryland

April 2012

Table of Contents

Executive Summary

This project proposal will explore the highest and best use for a mixed-use development project located at 1200 North Irving Street Arlington, VA 22201 in Clarendon. The site area includes 10 parcels of land totaling 51,902 SF with a 3.0 FAR. The land was recently purchased by USAA from ZOM Clarendon L.P. in 2011 for $13,500,000 (Deed Book / Page: 4482 / 1337)**.** In 2005, Arlington County Zoning Office approved ZOM Clarendon’s site plan for 155 apartment units and 18,540 SF of retail, but the proposal never came to fruition due to the downturn of the market and the residual effect of the financial crisis. With a site plan that is seven years old and the site available for sale, 1200 North Irving Development LLC is interested in purchasing and developing the land but first an analysis of the highest and best must be executed to determine the most feasible investment in the current market. After a thorough market and financial feasibility analysis of potential uses for the site, 1200 North Irving LLC has determined that a mixed-use development featuring 146 apartment units with 15,000 SF of retail would garner the least risk and greatest return from the market. The following proposal will describe in more detail the specific elements of this mixed-use development project.

Site Overview

The project site is located in Arlington, VA at 1200 North Irving Street in the neighborhood of Clarendon. The site offers frontage on Washington Boulevard with ingress and egress located on 13th Street North and North Irving Street. The site is bounded by Washington Blvd, North Irving Street and 13th Street North with close proximity to main thoroughfares including Fairfax Drive, Wilson and Clarendon Blvd.

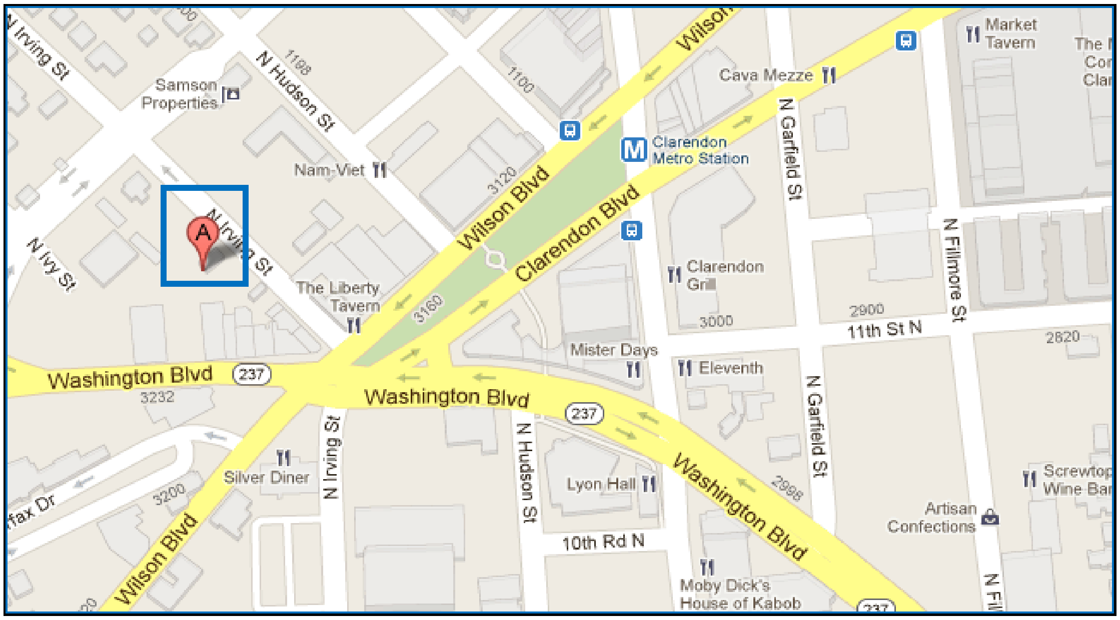


Figure 1.0: 1200 North Irving Site

(Source: Google Maps)

The site is currently empty with two vacant retail shops and gravel lots along Washington Blvd, North Irving Street and 13th street North. The location offers prime retail frontage along Washington Blvd and is ideal for office and residential use due to its close proximity to Clarendon's Metrorail and local restaurants, retail, and small businesses.

Ownership History

The site is made up of 10 parcels, some of which were previous retail businesses that including: Shoe Repair Shop, Midas Car Care, IR Motors, Leo's Auto, Arlington Postacraft and Madhu Ban Indian Restaurant. The 10 parcels are divided into individual lot addresses, SF in **table 2**:

RPC	Address	Lot Size
15078004	3225 WASHINGTON BLVD	9,873
15078013	1228 N IRVING ST	6,900

15078017	1200 N IRVING ST	5,750
15078016	N IRVING ST	5,750
15078015	N IRVING ST	5,750
15078014	N IRVING ST	4,600
15078018	1128 N IRVING ST	4,565
15078003	WASHINGTON BLVD	4,313
15078005	3217 WASHINGTON BLVD	2,214
15078023	1126 N IRVING ST	2,187
Total		51,902

Table 2.0: Parcel Breakout

(Source: Arlington County Land Records Division)

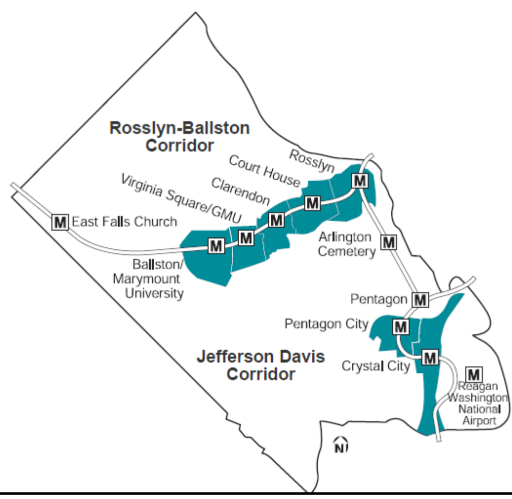
In January 2006, the 10 parcels were purchased by Faison-Clarendon LLC from Lee Properties for $7,503,750, before this transaction the land was owned by Lee Properties since 1962. Faison-Clarendon subsequently sold the multiple parcels for $17,300,000 to ZOM Clarendon LP. ZOM Clarendon planned to develop the site following the purchase but the market fell into a recession and site plan #392 was never developed. In 2011 ZOM Clarendon sold the land to USAA for $13,500,000. The deed is currently in possession of USAA and the parcels remain vacant.

SALES DATE	SALES PRICE	GRANTEE
8/24/2011	$13,500,000	USAA
12/15/2006	$17,300,000	ZOM CLARENDON LP
1/27/2006	$7,503,750	FAISON-CLARENDON LLC
1/1/1962	$45,000	LEE PROPERTIES INC

Location Analysis

The site is conveniently located in the heart of the Rosslyn-Ballston (R-B) Corridor of Arlington and bordered by a mix of uses including many of Arlington's most popular restaurants and bars, retail shops, office buildings, apartment buildings, and Lyon Village Neighborhood. 1200 North Irving Street is located roughly 1/5 of a mile from the Clarendon Metrorail on the Orange line. As shown in **Figure 3.0**, the Clarendon Metro station serviced an average of 8,600 passengers per weekday in 2010. The Orange line begins at New Carrolton in Maryland travels through the District of Columbia and through the Rosslyn-Ballston corridor and eventually ends west of D.C. in the suburbs of Vienna, VA along Interstate Route 66.

METRORAIL



Average Weekday Station Activity (2010)

Rosslyn-Ballston	Entry	Exit
Rosslyn	17,360	16,531
Court House	7,417	7,226
Clarendon	4,180	4,437
Virginia Square	4,088	3,991
Ballston	12,193	11,448
East Falls Church	3,974	3,837
Jefferson Davis	Entry	Exit
Arlington Cemetery	1,495	1,527
Pentagon	16,224	15,788
Pentagon City	16,603	16,222
Crystal City	14,709	14,559
Reagan National Airport	5,951	6,032

Source: Washington Metropolitan Area Transit Authority.

Figure 3.0: Metrorail Average Weekday Station Activity

(Source: Washington Metropolitan Area Transit Authority)

In addition to Metrorail, the subject site is located in close proximity from multiple bus line stops located on Washington Blvd, Clarendon Blvd and Wilson Blvd. **Figure 3.1** illustrates the locations of the Clarendon Metrorail and bus stops neighboring the subject site.

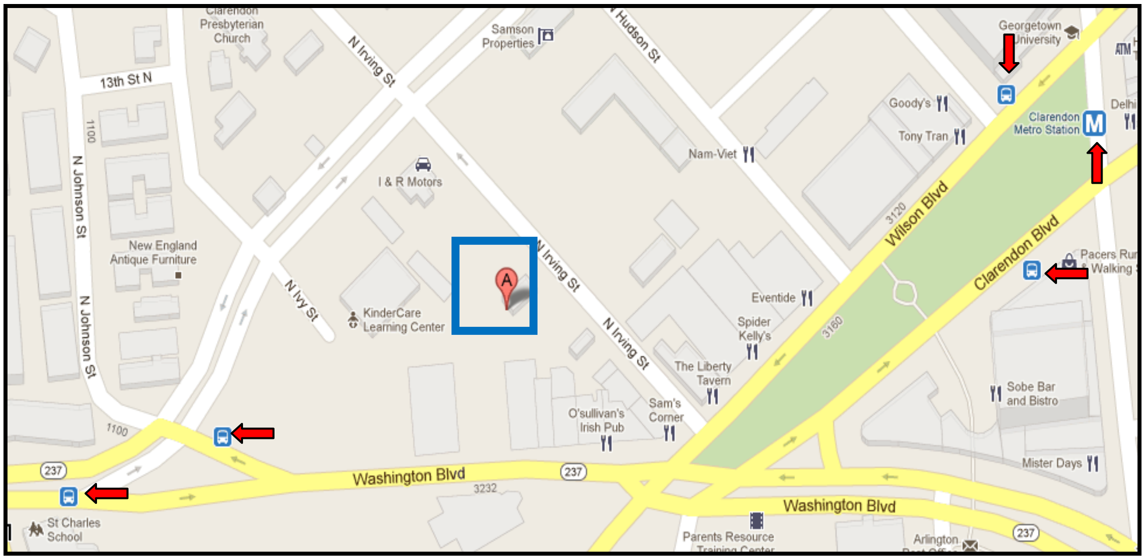


Figure 3.1: Map of Public Transportation

(Source: Google Maps)

For driving commuters, the site is conveniently located one mile from Interstate Route 66 that connects Arlington to Tyson's Corner, Fairfax, Manassas and the Dulles Toll Road. Route 50/ Arlington Boulevard acts as a main thoroughfare connecting Arlington's residents to towns west of the city and connects Arlington to the District of Columbia. George Washington Parkway is located 2 miles away from the site which connects Arlington to Reagan National Airport and Alexandria and north towards Langley and Interstate 495. The site is located less than a block from Wilson Boulevard that connects Arlington via the Francis Scott Key Bridge to Georgetown. To better understand the site's proximately to notable spots in the Washington Metro area, **Table 3.1** summarizes driving and metro commute times from the subject site.

Destination	Metro Commute Times*	Driving Commute Time*
Reagan Airport	20 min	14 min
Georgetown	N/A	5 min
Dulles Airport	Coming in 2016	30 min
Union Station	33 min	17 min

Tyson’s Corner	Coming in 2013	17 min
Verizon Center	26 min	15 min
National Mall	18 min	11 min
Bethesda	44 min	27 min
Silver Springs	1 hour	32 min

*Leave time Thursday 8:45am

Table 3.1 Driving & Metro Distance from Site

(Source: Google maps)

Adjacent Properties and Land Use

Adjacent land uses range from low-density retail shops to the west, residential town homes and single-family homes to the north, medium and high-density apartments to the east and medium to high-density office buildings to the south and east. As seen in **figure 3.2**, north of 1200 North Irving are properties owned by the Clarendon Presbyterian Church as well as single-family homes. These properties are zoned R-5 and designated for one-family and two-family dwelling districts.

Figure 3.2 Photo of Clarendon Presbyterian Church north of the subject property

(Source: Google maps)

Northeast of the site are the Clarendon Court Apartments featuring 9 dwelling units; the property is zoned R8-18 and designated for low density residential with 1-10 units per acre. As seen in **figure 3.3**, east of North Irving Street is parking lots owned by Red Top Cab but was recently rezoned C-3 in the Clarendon Sector plan for potential redevelopment of medium density mixed-use.

Figure 3.3 Photo of Red Cab parking lots east of the subject property

(Source: Google maps)

As seen in **figure 3.4**, along Washington Boulevard and west of the site is Red Top Cab office and parking lot that recently were rezoned C-3. According to the Clarendon Sector plan this site is designed for medium density mixed-use development with a maximum height of 110 feet and FAR of 3.0 with bonus density available.

Figure 3.4 Photo of Red Top office and parking lot along Washington Blvd

(Source: Google maps)

As seen in **figure 3.5**, south of the site facing Washington Boulevard is Sam's Corner Deli, O'Sullivan's Irish Pub, Fragrance World Retail Shop and Taste of Morocco Restaurant.

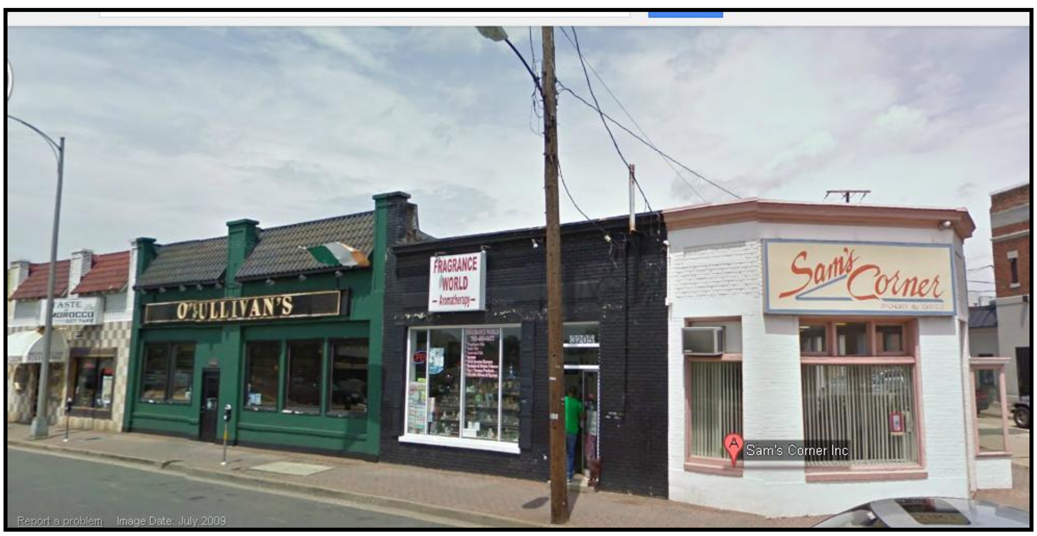


Figure 3.5 Photo of retail shops along Washington Boulevard

(Source: Google maps)

As seen in **figure 3.6**, the Clarendon Sector Plan has designated the aforementioned retail properties along Washington Boulevard as part of the "building frontage preservation zone."

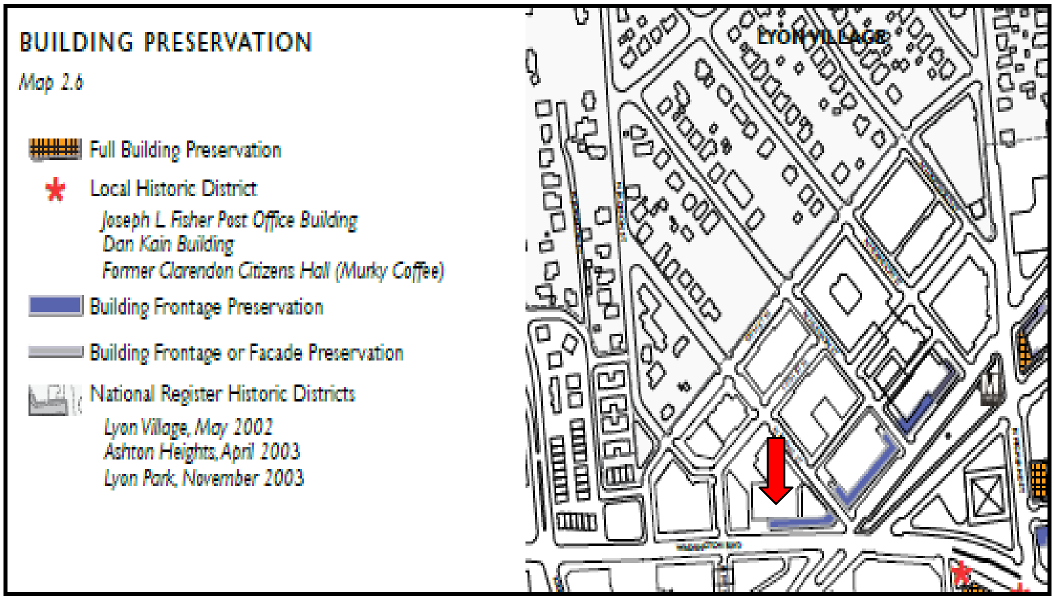


Figure 3.6 Building Frontage Presentations

(Source: Clarendon Sector Plan)

Notable Developments near the Subject Site

In 2001, a development called Market Commons featuring 240,000 SF of retail along with 300 Class A apartments, 87 townhomes and 100,000 square feet of office space was delivered to Clarendon and subsequently transformed the image of the area into a lively place to shop, dine, and reside. Following the mega-development of Market Commons, other notable developments followed including the Clarendon Apartments featuring 6 stories of 297 dwelling units and 4,000 SF of retail. The Hartford Offices featuring 9 stories of 74,264 SF and the Hartford Condominiums featuring 6 stories and 70 dwelling units. In 2010, The Lyon Place at Clarendon was delivered featuring 67,232 SF mixed use with 12 floors totaling 244 luxury apartments and 38,333 of retail shops and restaurants. The Views at Clarendon located 2 blocks from the site will be delivered in 2012 featuring a unique mixed-use development project featuring 116 apartment dwelling units and a 20,626 SF Baptist Church located at street level.

Zoning and Land Use

According to the 2006 Clarendon Sector Plan and the amended 2011 Arlington General Land Use Plan (GLUP), 1200 North Irving is zoned C-3 which is designated as medium density mixed-use. The bulk, coverage and height regulations for C-3 zoning are as follows:

- Maximum Building Height: 110 Feet
- Maximum Floors: 8
- Maximum FAR: 3.0 (options for addition density)
- Coverage Requirements: 71% maximum
- Use Mix: Residential, Office, Commercial, Hotel, Mixed Use
- Side Walk Width: 18’ on Washington Blvd; 14’ on North Irving St.
- Building Preservation: Washington Blvd Retail Shops
- Parking Requirements: 1 parking space per dwelling unit; .7 space per guest room,1 parking space per 580 SF of non dwelling unit, 1 parking space per 250 SF of retail space
- Taper Requirements: 1.3 ratio beyond 165’ from ‘RA’ and ‘12R’ zoning, 20’ setback at 2nd, 3rd, 4th or 5th floor above retail along Washington Blvd.

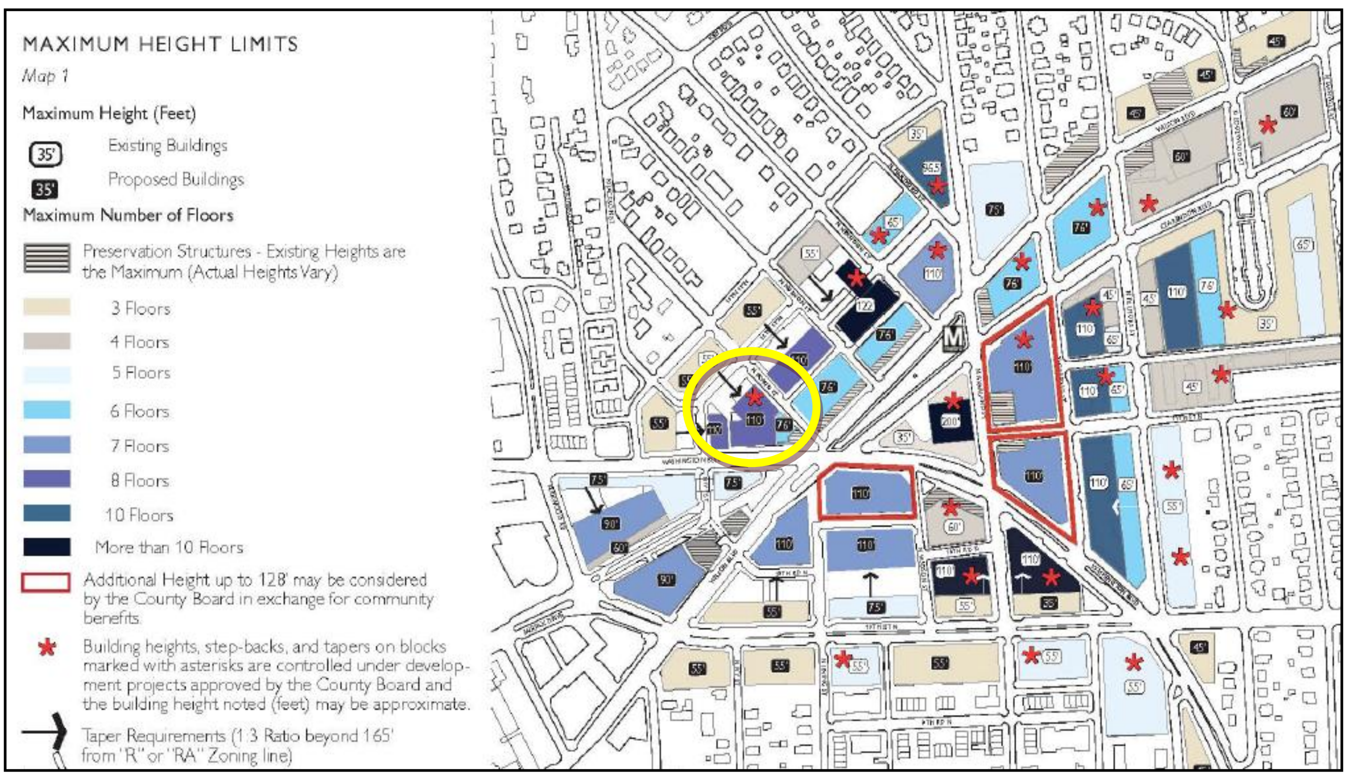


Figure 3.7: Maximum Heights Map

(Source: Clarendon Sector Plan)

The C-3 zone is designated as the “Special Coordinated Mixed-Use District” and established to encourage medium density mixed-use development close to the Clarendon Metro station. The goal of this zone is to encourage a balance of retail, residential and office to achieve continuous activity both day and night. 1200 North Irving is within 1,000 feet of the Clarendon Metro station and must conform to the C-3 zone requirements.

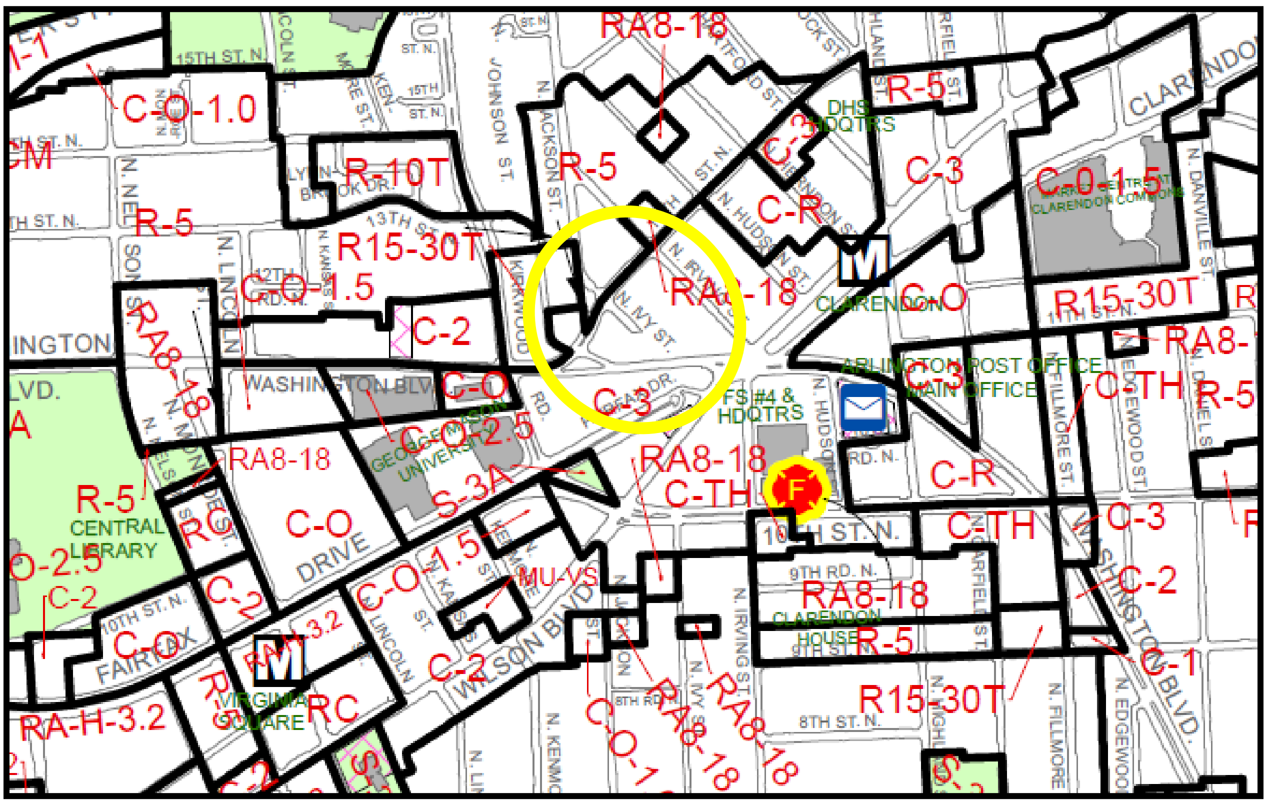


Figure 3.8: Arlington, VA Zoning Boundaries

(Source: Arlington Virginia Zoning Administration)

Clarendon Sector Plan

The purpose of the Clarendon Sector Plan is to set forth guiding policies and urban design guidelines for future redevelopment in Clarendon. The 2006 sector plan supersedes both the 1984 and 1990 sector plan and supports the Arlington Comprehensive Plan and the General

Land Use Plan (GLUP), master transportation plan, public spaces master plan and development close to the Clarendon Metrorail. The 2006 plan provides a vision for Clarendon as an "urban village." The "urban village" concept represents a sense of place and distinctiveness that incorporates a high quality public environment with accessible and connected spaces where people can work, live and shop. The goals of the Clarendon Sector plan are:

- Quality public realm;
- Accessible and connected places and streets;
- A rich mix of uses;
- Centralized area of medium density mixed-use development ;
- Improved housing diversity

The subject site is also considered a component of the Washington Boulevard Corridor of the Clarendon Sector Plan. The site is less than a block away from the Washington-Wilson-Clarendon intersection that serves as the unofficial entrance to the Clarendon neighborhood and influences the urban form of the surrounding area. **Figure 3.9** illustrates the vision for the Washington Boulevard Corridor including a modification to the three-way intersection to improve the core area of Clarendon and improve traffic patterns for vehicles and pedestrians.

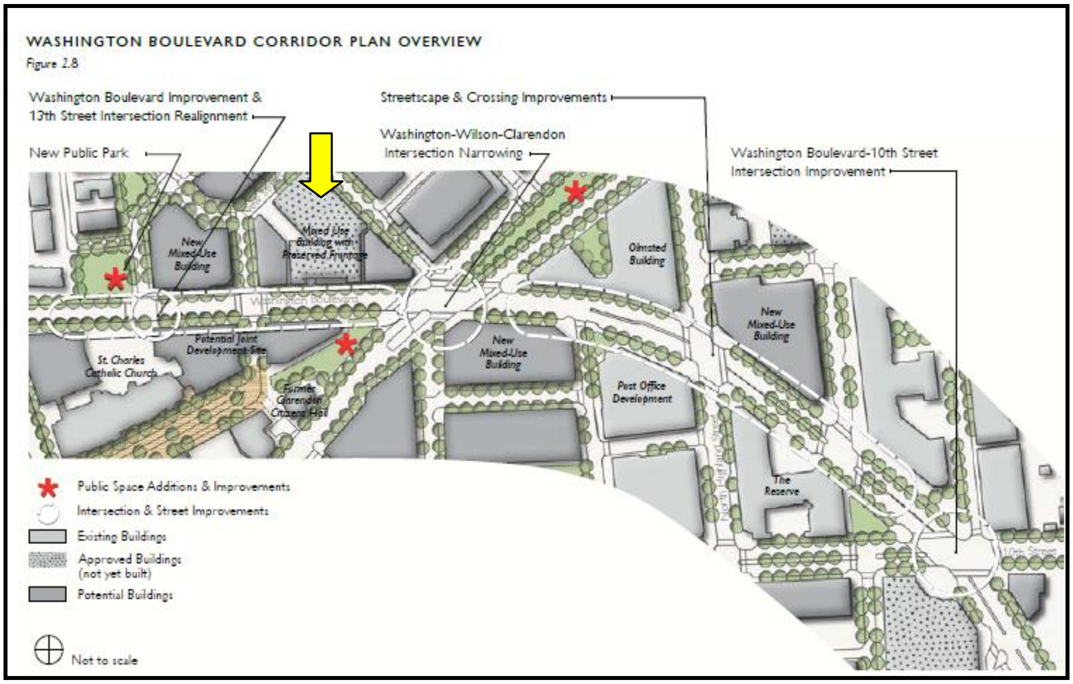


Figure 3.9 Washington Boulevard Corridor Plan Overview

(Source: 2006 Clarendon Sector Plan)

The subject site is also included in the delineated area known as the "Clarendon Revitalization District" designated in the 2011 GLUP. Future development in this area should comply with policies and objectives listed below:

- Cluster of office surrounding the metro station and Clarendon Central Park;
- All areas have a maximum height limit;
- Preservation of specified entire buildings, frontages and facades;
- The provision of well-designed sidewalks and facades;
- The preservation of surrounding low density residential areas with compatible development tapering up in density and height toward the metro;
- The expansion of open spaces.

Figure 3.11 illustrates the plan for Clarendon's streets, buildings and open space according to the policy and objectives described above.

Figure 3.11 Concept Sketch: Central Clarendon (West View)

(Source: 2006 Clarendon Sector Plan)

Arlington Economic Drivers

Arlington, Virginia is an urban county of about 26 miles located directly across the Potomac River and only minutes from downtown Washington, DC. Arlington County is one of the most desirable places to live in America and continues to draw national accolades as it was recently ranked #2 among "America's Best Cities" by Business Week.

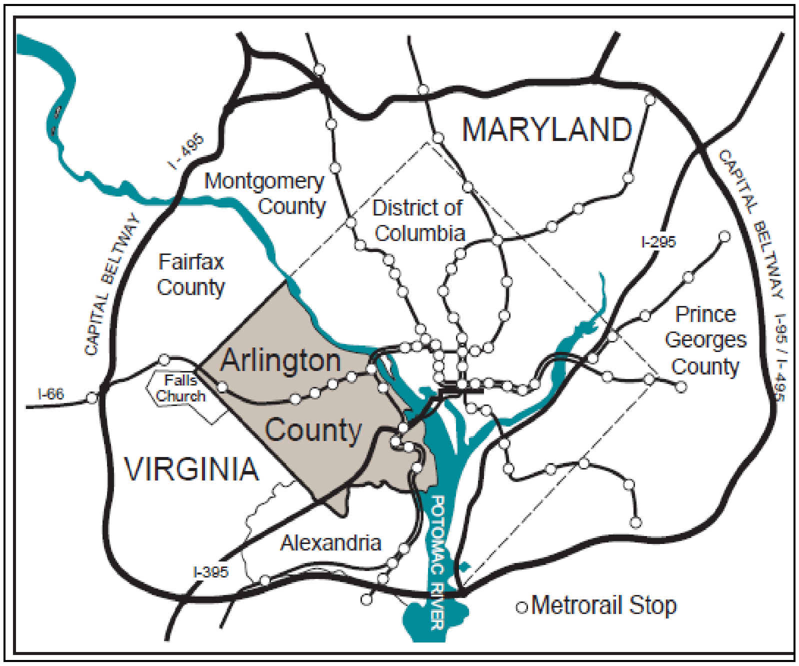


Figure 3.12 Overview Map of Arlington County

(Source: Washington Metropolitan Area Transit Authority)

Arlington is a particularly popular destination for homeowners and renters who are seeking high quality residential neighborhoods and schools. Arlington has 61 registered civic associations, 45 County Board Commissions, 178 community service organizations. The county offers 149 public parks, 86 miles of running/biking trails, 101 athletic fields, 13 community centers and several theaters and libraries.

Due to the county's ideal living conditions it is no surprise that Arlington is able to attain impressive home values and effective rents. The average assessed value of a housing unit in 2011 was $516,441. Single family detached homes averaged $655,158 and condos averaged $355,957. The average rent per month is $1,742 in Arlington.

One of the main economic drivers of the county is Arlington's superior public transportation system. Arlington Bus Transit offers 13 routes servicing 1,990,402 passengers annually. The Metrorail is conveniently located below the Rosslyn-Ballston Corridor with five stations (Rosslyn, Court House, Clarendon, Virginia Square, Ballston) servicing an estimated 90,000 passengers a week. The convenience of the Metro and its connection to Metropolitan DC has spurred numerous apartment, condominium, mixed-use, retail and office developments in recent years.

Arlington's popularity has grown in recent years as it offers a unique blend of a small town coupled with a booming economy, low unemployment, and highly educated residents. The evolution of Arlington in recent decades is certainly consistent with the county's vision statement as seen below:

> Arlington will be a world-class urban community with secure, attractive residential and commercial neighborhoods where people unite to form a caring, learning, participating, sustainable community in which each person is important.

Arlington's attractiveness can be traced back to the decision of the county's forefathers to construct an underground Metrorail and suggest major land use changes in the Rosslyn-Ballston and Jefferson Davis Metro Corridors. Since the integration of the metro corridor, the population has grown an average of 10.8% the last three decades and currently contains more jobs than the total population within a quarter mile of the Metrorail (2010 Census Highlights, Arlington, VA). Forecasts predict that 19.8% of the population and 60.6% of jobs will be located within a quarter mile of a Metrorail station by 2040. Population and employment forecasts predict that within 0 - .5 miles from the Clarendon Metro Station the population is expected to increase 42.2% and employment opportunities to increase 50.8% (Department of Community Planning, Housing and Development Planning Division).

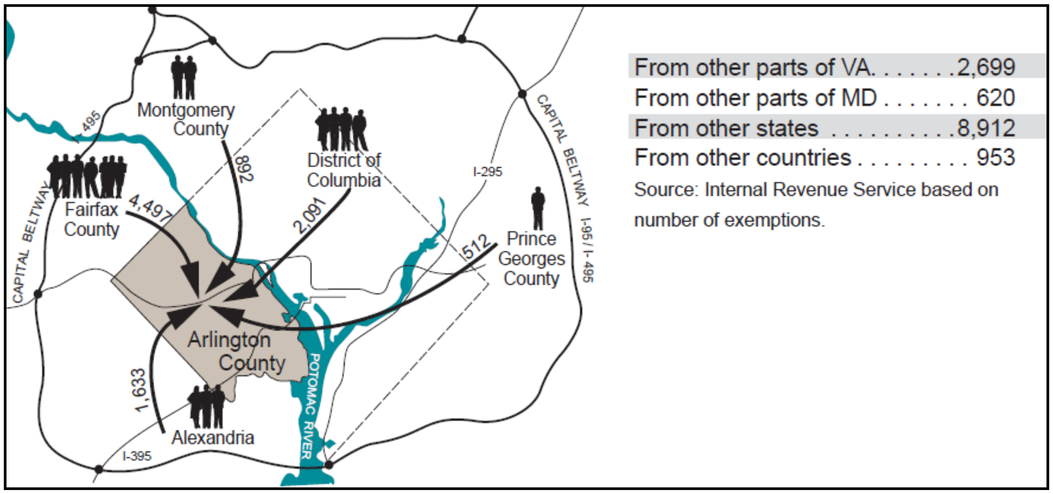


Figure 3.13 Population Migration

(Source: Arlington County Profile 2011)

Arlington County has an estimated population of 212,300, with anticipated 30 year growth of 27% along the Rosslyn-Ballston Corridor and 61.7% in the Clarendon neighborhood. Arlington County has a total of 98,050 households, with one and two person households making up three-quarters of all households in Arlington. **Figure 3.14** illustrates the total percentage mix and size of households in Arlington.

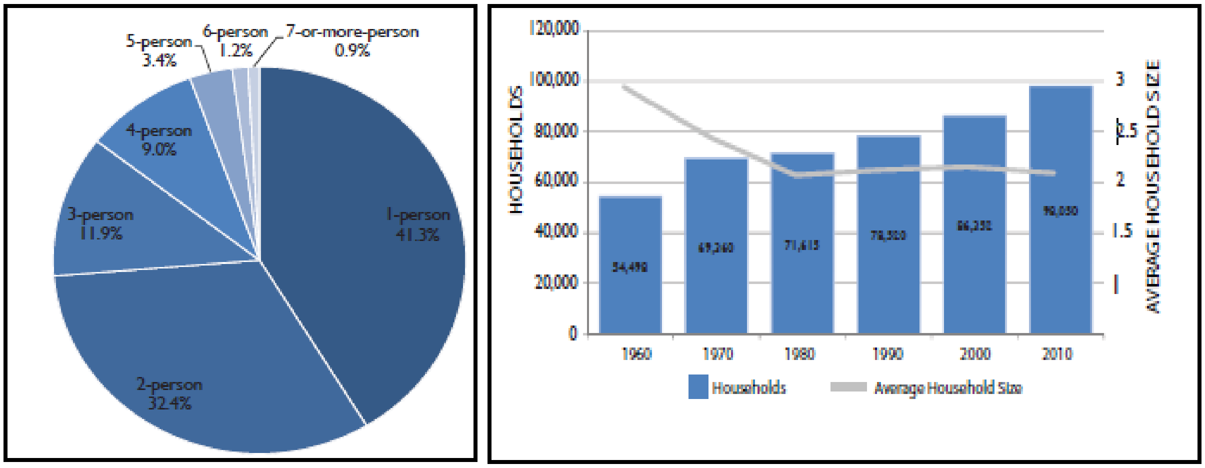


Figure 3.14 Household Mix and Size

(Source: Arlington County 2010 Census highlights)

The population is quite diverse with 64% white and 36% minority. The median age in Arlington County is 33.4, marking it the youngest of the counties and cities surveyed in the metro DC area. Arlington residents are among the most highly educated in the nation with almost 69% of adults earning a bachelor's degree and 35% had a graduate or professional degree. Arlington's median household income is $103,900 which ranks slightly higher than the median household income in Washington Metropolitan area. With one of the highest median household incomes in the entire nation, the economy in Arlington is one of the strongest of all counties in the Metro DC area, having one in five jobs in Northern Virginia located in Arlington. According to **table 3.3**, the unemployment rate is currently 4.1%, making it considerably lower than Virginia and US averages.

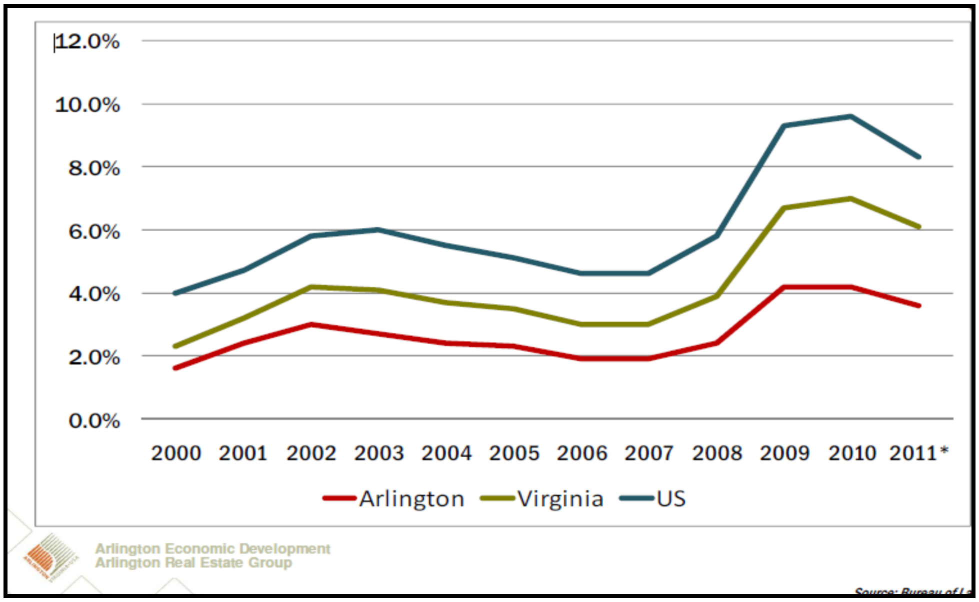


Table 3.3 Comparison of Unemployment Rates

(Source: Arlington Economic Development)

The federal government serves as the largest single employer in Arlington, **Table 3.4** lists the principal private and public employers located in Arlington County.

Government	Jobs	Private	Jobs
US Dept. Defense	27,000	Deloitte	5,100
US Dept. of State	6,000	Lockheed Martin Corp*	2,700
US Dept. of Justice	5,200	Virginia Hospital Center	2,120
Arlington County School Board	4,200	Marriott International, Inc.*	1,940
US Dept. of Homeland Security	4,000	BNA*	1,906
County of Arlington	3,860	Booz Allen Hamilton*	1,400
National Science Foundation*	2,200	SRA International*	1,360
US Environmental Protection Agency	2,100	CACI	1,217
US General Services Administration	1,500	SAIC*	1,200
US Dept. of Interior	1,200	Corporate Executive Board	1,060
Total	57,260	Total	20,003

Arlington Economic Development
Arlington Real Estate Group

Table 3.4 Principal Employers located in Arlington

(Source: Arlington Profile 2011)

With the Reagan National Airport located in its backyard, Arlington attracts 8,000 visitors on any given day. Arlington offers a variety of options for landmark and memorial sightseeing including the Iwo Jima Memorial, Arlington Memorial Cemetery, Pentagon, Air Force Memorial and the Netherland Carillon.

Arlington offers a wide range of retail shopping, entertainment and eateries with approximately 600 restaurants and bars and a variety of grocery stores ranging from Whole foods and Harris Teeter to Trader Joes, Safeway and Giant. Arlington County has over 6 million SF of retail shopping with the most notable being The Fashion Center at Pentagon City, which is as one of the highest grossing retail centers in the country. **Table 3.5** summarizes other notable major retail facilities located in Arlington.

MAJOR RETAIL FACILITIES

	No. of stores	Sq. Ft.
Fashion Centre at Pentagon City	157	994,000
Crystal City*	160	715,153
Ballston Common Mall	111	578,000
Pentagon Centre	9	330,467
Clarendon Market Commons**	36	300,827
Pentagon Row	50	296,000
Village at Shirlington	46	214,000
Lee Harrison Shopping Center	37	114,200

Source: Arlington Economic Development.

Table 3.5 Major Retail Facilities in Arlington

(Source: Arlington Profile 2011)

In addition, Tyson's Corner Fashion Center is a short commute away and renowned as the 8th largest shopping center in America which offers a variety of restaurants and high-end retail shopping (CBRE). Georgetown is convenient enough to Arlington residents that it can also serve as a viable option for shopping and dining. Georgetown is a vibrant neighborhood in

Washington, DC offering upscale retail shopping, restaurants, bars and charming views of the Potomac.

Washington Metropolitan Area Economic Drivers

Washington D.C. population has over 5.58 million residents, making it the 7th largest metropolitan area in America. The Washington metro area is the most educated metropolitan area in America with 47% of all residents have obtained a bachelor's degree and 26% have obtained post graduate degrees. In 2011, the unemployment rate ranks best in America at 5.4% compared to the national average of 8.8%.

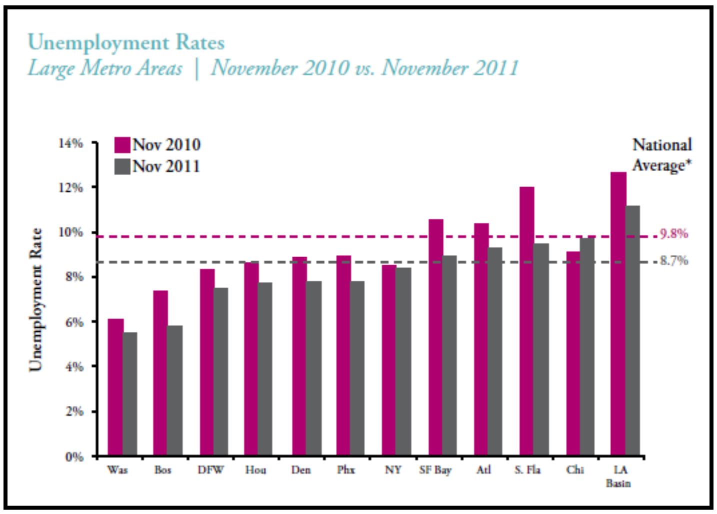


Table 3.6 Washington Metro Area Unemployment Rate

(Source: REIS)

Ranked as America's most educated and most employed, it is no surprise that 7 of the 10 wealthiest counties in America are located within the DC Metro area and have a median income ranging from $101,710 to $110,643 (CBRE). With 3 million payroll jobs, the Washington Metro area ranks the 4th largest job market, while continuing to grow 2% per year as the national average fell by 0.6% annually (CBRE Trend lines). As shown in **Table 3.7,** the DC metro area economy continues to recover quicker than comparable major American cities due to the Federal

Government bolstering the economy and adding almost 16,000 new jobs during the recession (Delta Apartment Market Report).

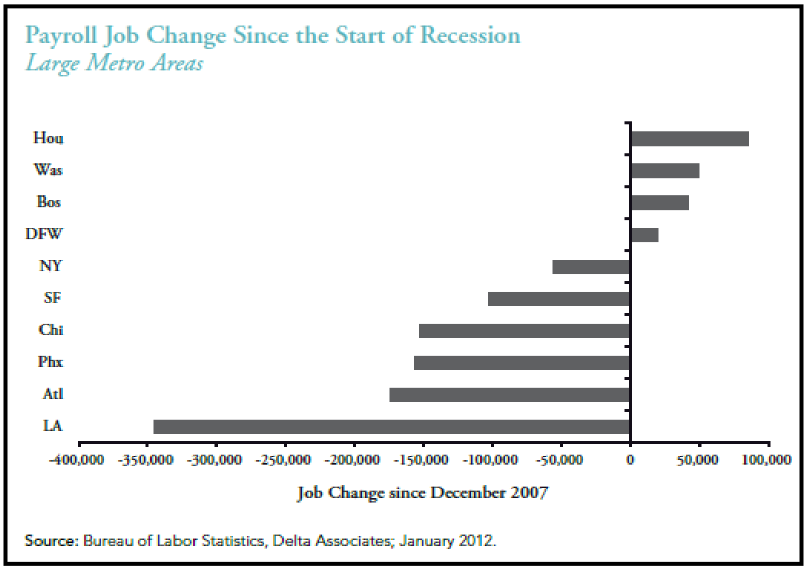


Table 3.7 Large Metro Areas: Job Change since the Start of the Recession

(Source: Bureau of labor Statistics, Delta Associates, January 2012)

In addition to the Government, the private sector has a major presence in the DC metro area and continues to hire during the recession. The DC metro area hosts several fortune 500 companies headquarters, a comprehensive list of those companies are as follows:

2010 Fortune 500 Companies in the Washington, D.C. Metro Area				
Rank	Company	City	State	Revenue ($M)
44	Lockheed Martin	Bethesda	MD	$45,189
54	Freddie Mac	McLean	VA	$37,614
69	General Dynamics	Falls Church	VA	$31,981
81	Fannie Mae	Washington	DC	$29,065
138	Computer Sciences	Falls Church	VA	$16,739
144	Capital One Financial	McLean	VA	$15,980
156	AES	Arlington	VA	$14,690
168	Coventry Health Care	Bethesda	MD	$13,993
207	Danaher	Washington	DC	$11,184
213	Marriott International	Bethesda	MD	$10,908
215	SAIC	McLean	VA	$10,847
251	Pepco Holdings	Washington	DC	$9,259
354	SLM	Reston	VA	$6,144
370	Gannett	McLean	VA	$5,613
455	Washington Post	Washington	DC	$4,596
468	NII Holdings	Reston	VA	$4,397
492	Host Hotels & Resorts	Bethesda	MD	$4,216

Table 3.8 2010 Fortune 500 Companies in the Washington, D.C. Metro Area

(Source: CBRE)

Washington Metropolitan Real Estate Forecast

The Washington, DC real estate market continues to outperform other major cities in the U.S., even during the recession, due to the advantage of having the Federal Government fuel strong unemployment rates. However, in future years DC should be prepared for a potential recession due to the upcoming presidential election and subsequent federal budget cuts. These factors can directly impact federal spending, job hiring, and long-term housing plan decisions by government agencies. The Washington, DC economy is closely correlated with federal spending and the direction of the real estate markets will move as the federal government does (Colliers office report Q4 2011).

Market and Feasibility Analysis

The purpose of the market analysis is to evaluate the uses for the proposed development permitted by Arlington zoning laws. The subject site is zoned C-3 which allows for medium density mixed-use residential, retail and office. The market analysis will analyze the financial and market feasibility of the specific uses and conclude with a highest and best use for the site as well as comparable assumptions for the pro forma section of the analysis.

Retail Market Analysis

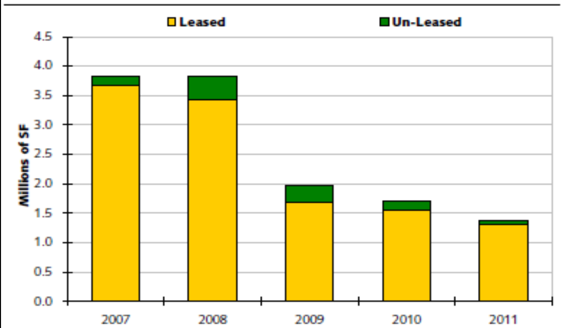
According to the 2011 CoStar report, the Washington retail market did not experience much change in the retail markets. The vacancy rate went from 4.8 to 4.7% and positive net absorption at 389,275. Rental rates decreased from the third quarter of 2011 to $23.20 per SF. By the end of the year, 1.3 million SF of new retail was built in the Washington Area. Retail sales activity of 15,000 SF or larger in the Washington Metro area is on the rise compared as the DC metro are saw 35 retail transactions with a total sales of 538 million. Cap rates in 2011 were lower compared to 2010 which is a good sign for the retail markets as cap rates are currently averaging 7.03% compared to 8.17% during that same period in 2010. **Table 3.9** ranks the markets with the greatest amount of retail currently under construction and the other charts show recent and future deliveries in the DC metro area. Arlington, VA is not included on this list.

Construction Activity Markets Ranked by Under Construction Square Footage

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total GLA	Preleased SF	Preleased %	All Existing	U/C
Woodbridge/I-95 Corridor	1	300,000	240,000	80.0%	21,337	300,000
S Prince Georges County	1	79,371	79,371	100.0%	13,851	79,371
Northeast/Southeast	1	70,000	35,700	51.0%	5,590	70,000
Greater Fairfax County	3	68,716	56,352	82.0%	20,640	22,905
Dulles Corridor	4	61,763	8,067	13.1%	24,535	15,441
SE Montgomery County	1	60,000	60,000	100.0%	15,710	60,000
Leesburg/Route 7 Corridor	2	56,924	43,262	76.0%	15,841	28,462
Manassas/Route 29/I-66	3	50,187	18,000	35.9%	17,702	16,729
E Prince Georges County	2	49,805	13,809	27.7%	25,138	24,902
Capitol Hill Area	2	48,500	22,050	45.5%	4,618	24,250
All Other	5	48,122	30,122	62.6%	13,015	9,624
Totals	**25**	**893,388**	**606,733**	**67.9%**	**14,363**	**35,736**

Source: CoStar Property®

Recent Deliveries
Leased & Un-Leased SF in Deliveries Since 2007



Future Deliveries
Preleased & Un-Leased SF in Properties Scheduled to Deliver

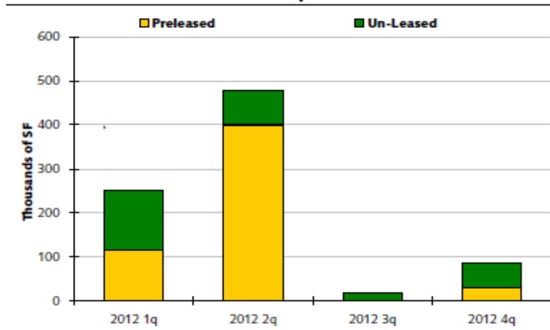


Table 3.9 Construction Activity and Recent/Future Retail Deliveries in Metro DC

(Source: 2011 Costar Retail Report)

Arlington Retail Submarket Analysis

The Rosslyn-Ballston Corridor's retail market continues to outperform other submarkets in the DC Metro area as rental rates continue to climb to an average rate of $31.68 per SF. The vacancy rate along the corridor remains low at 2.6% with 72,429 SF of space available out of 2,737,663 SF. According to CoStar the Clarendon/Courthouse retail submarket is favorable for investors as the vacancy rate remains low at 3.6% with average rental rates achieving $30.13 per SF. In 2011, 12,208 SF of space was absorbed as new deliveries were stagnant in 2011.

In 2010, prime retail space was delivered in close proximity to1200 North Irving Street and the Clarendon Metrorail. This new space provided comparable retail leases that can be used in the pro forma. The first comparable property is a mixed use 108,387 SF offices and retail property called Clarendon Center North, it is located directly across the street from Clarendon Metrorail and offers prime retail frontage. **Table 3.10** lists the ground floor retail spaces that were 100% pre-leased at Clarendon Center North. The four retail spaces are NNN and average rent of $61.50 per SF.

Date	Size (SF)	Tenant	Rent (PSF)	TI (PSF)	Free Rent (Months)	Escalations	Term (Yrs)
7/11	3,595	AT&T Mobility	$65.00	$30.00	0	3%	5.00
3/11	1,477	BGR Burger Joint	$50.00	$45.00		Steps	5.00
5/11	1,105	Larry's Homemade	$66.00	$0.00	0	3%	5.00
6/11	4,028	Pete's A Pizza	$65.00	$40.00		3%	10.00

Table 3.10 Comparable Retail Leases #1 in Clarendon

(Source: CBRE)

The second comparable property is a mixed use 104,918 SF residential and retail property called Clarendon Center South, it is also located directly across the street from Clarendon Metrorail and offers prime retail frontage. **Table 3.11** lists the ground floor retail spaces that were 100% pre-leased at Clarendon Center South. The four retail spaces are NNN and average rent of $49.25 per SF.

Date	Size (SF)	Tenant	Rent (PSF)	TI (PSF)	Free Rent (Months)	Escalations	Term (Yrs)
2/11	2,816	Burapa Thai	$60.00	$55.00	0	3%	5.00
2/11	4,402	Circa Restaurant	$60.00	$87.00	1	3%	10.00
6/11	598	Members Cleaners	$27.11	$0.00	0	CPI	5.00
9/11	13,355	Grocery (LOS)	$50.00	$0.00	0	10% Yr 6	10.00

Table 3.11 Comparable Retail Leases #2 in Clarendon

(Source: CBRE)

The third comparable property is a mixed use 139,699 SF residential and retail property called Zoso Flat, it is located 3 blocks from the Clarendon Metrorail. **Table 3.12** lists the ground floor retail spaces that are currently in lease up. The four retail spaces are NNN and average rent of $33 per SF.

Date	Size (SF)	Tenant	Rent (PSF)	TI (PSF)	Free Rent (Months)	Escalations	Term (Yrs)
5/09	4,000	American Flat Bread	$40.00	$125.00		3% per year	10.00
1/09	2,146	Kavenchy Salan & Spa	$36.00	$22.50	9	3% per year	10.00
2/08	2,366	VA Cosmetic Dentistry	$31.00	$30.00	5	3% per year	10.00
9/09	2,000	Screwtop Wine Bar	$25.00	$0.00	NA	3% per year	10.00

Table 3.12 Comparable Retail Leases #3 in Clarendon

(Source: CBRE)

The map below presents the locations of the retail spaces in proximity to the subject site.

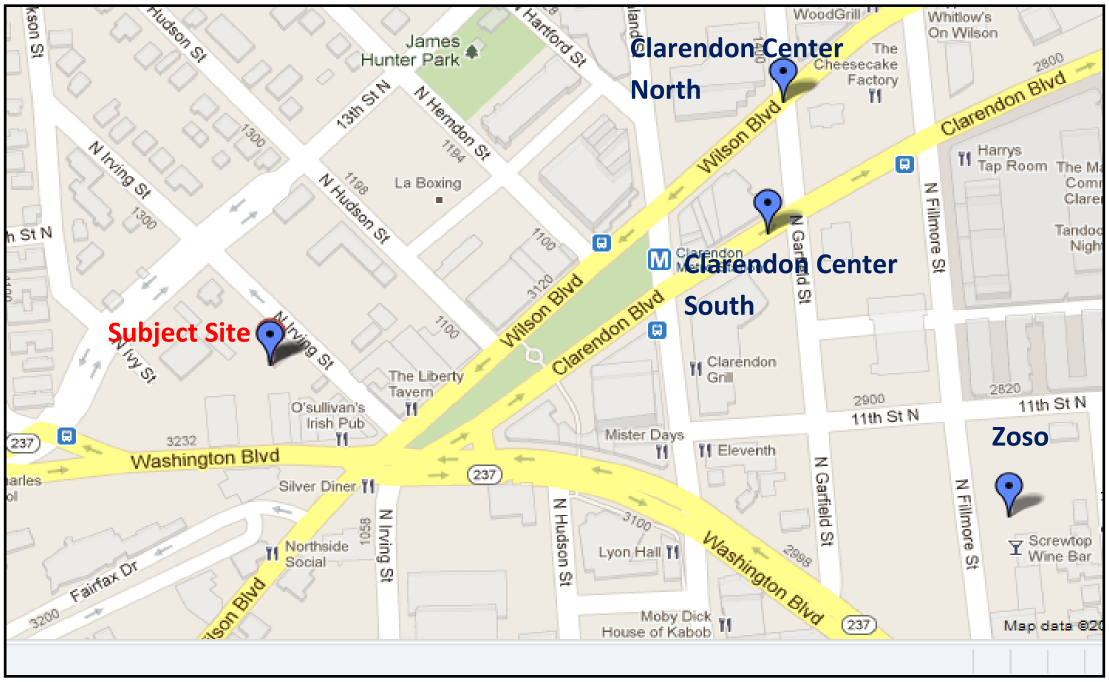


Figure3.15 Proximity of Retail Spaces

(*Source: Google Maps)*

Office Market Analysis

The Washington, DC market is the 6th largest population in the U.S., according to CBRE, with 5.72 million people. The DC market boasts an average per capita income of $59,125, which is an impressive 42% above the national average, and total employment stands at 2.99 million workers. Over the last five years while the rest of America was in a recession, Washington, DC's growth rate increased at an annual average rate of .01% while across America employment declined at an average annual rate of .07%. Job stability and hiring within the federal government jobs and private sector jobs linked to the federal government continues to boost the Washington, DC economy and continues to outperform the national employment average. CBRE predicts that Washington, DC should grow at an average annual rate of 1.5% for the next five years with the professional and business services sector expected to post the most growth followed by hospitality and leisure (CBRE Office Outlook 4th Qtr 2011).

The Washington, DC office market inventory amounted to 458,253,808 SF in 9,885 buildings. Class A office buildings consisted of 241,353,958 SF in 1,277 buildings with positive absorption of 2.3 million in 2011 compared to a negative 1.3 million for class B and C properties. This trend shows that tenants are taking advantage of compressed rental rates in class A space and upgrading from inferior space (Delta Associates Trendlines). The DC office market ended 2011 with a vacancy rate of 13.3% which is slightly raised from 13.2% in the 3rd quarter. Specifically Class A properties reported a vacancy rate of 14.7% in Washington metro area, the DC Central Business District reported 10.5% and suburban markets reported 14.5% (COSTAR office report).

The average rental rate for all classes of office space was $33.81 SF at end of 2011 (CoStar Office Report). Class A space was $38.20 and the average rental rate in the CBD was $48.36. In 2011 an estimated 2,477,961 SF of new office space was delivered to the Washington market. Notable 2011 deliveries are as follows:

- Square 54: 432,900 SF, 92% occupied
- 1015 Half Street SE: 390,749 SF, 100% vacant

By the end of 2011 there was 4,982,141 SF of office space under construction. Notable projects underway include:

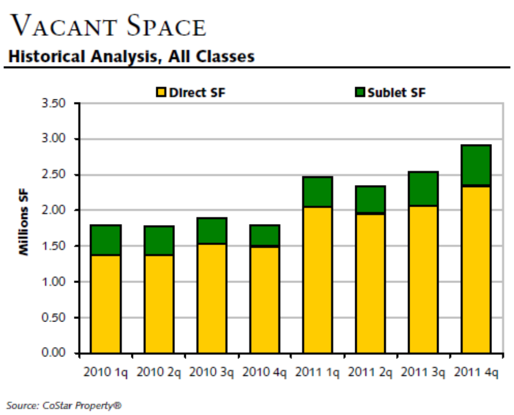
- 1812 N. Moore Street: 580,000 SF building, 7% pre-leased space
- NPR HQ at 1111 Capitol Street, NE, 450,000 SF, 100% leased

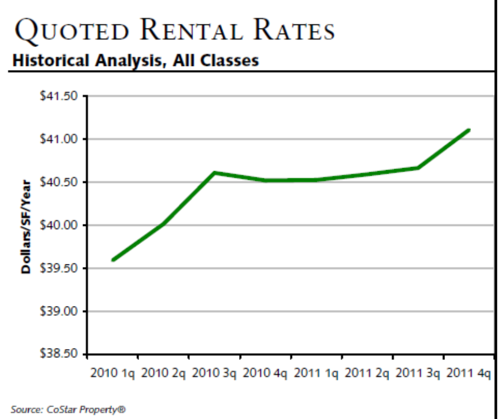
In the first three quarters of 2011, total office buildings sales were up from 2010 with 91 office sales transactions with a total volume of $4.9 billion compared to 62 office sales transactions and $2.6 billion respectively. The price per SF in 2011 was $356.05 compared to 2010 at $302.56.

Cap rates contracted in 2011 averaging 6.84% compared to 2010 when they averaged 7.31% for the same time period. Lower cap rates are a good sign for investors looking to enter the market.

Arlington Office Market Analysis

As shown in **table 3.13**, in the Rosslyn-Ballston corridor submarket there is 177 office properties consisting of 24 million SF of space, vacancy rate at 12.1%, negative absorption at 23,401 SF and average asking lease rate of $41.01.





Period	Existing Inventory		Vacancy		Net	Delivered Inventory		UC Inventory		Quoted
	# Bldgs	Total RBA	Vacant SF	Vacancy %	Absorption	# Bldgs	Total RBA	# Bldgs	Total RBA	Rates
2011 4q	177	24,044,903	2,912,425	12.1%	(23,401)	1	352,740	3	1,019,555	$41.11
2011 3q	176	23,692,163	2,536,284	10.7%	(237,539)	0	0	4	1,372,295	$40.67

Table 3.13 R-B Corridor Office Market Report

(COSTAR office report 4Q 2011)

According to **table 3.13,** the subject site is located in a strong submarket with the second highest average rental rate as shown in the *Clarendon/Courthouse submarket*. The vacancy rate and average rate for Clarendon in **table 3.13** will be used in the return on cost and return on equity analysis in the **Development Options Section**.

Submarket	Building Area	Total Available	Sublet Available	Total Vacant	Direct Vacant	Average Rate
Ballston	7,567,037	1,249,568	261,639	12.2%	9.4%	$39.74
Clarendon/Courthouse	5,841,024	983,519	87,871	11.9%	11.0%	$41.03
Crystal City	11,802,441	2,998,969	140,387	12.7%	12.4%	$40.31
Pentagon City	1,468,316	253,529	0	1.2%	1.2%	N/A
Rosslyn	8,811,726	2,119,769	265,046	13.5%	10.5%	$40.30
Virginia Square	1,811,812	352,339	42,407	3.6%	2.1%	$41.97
Outside Metro Areas	2,646,791	193,874	46,571	5.1%	4.7%	$31.47
Arlington County	39,673,705	8,148,467	873,921	11.4%	9.9%	$40.13

Table 3.14 Arlington Office Market- Availability, Vacancy and Rental Rates

(Source: Arlington Economic Development)

One notable transaction in the Rosslyn-Ballston Corridor was the 1.25 billion sale of 10 properties totaling 3 million SF owned by Lehman Brothers Joint Venture Holdings in Rosslyn. Currently there is 2.3 million SF of office space under construction in Northern Virginia with 46% of if happening in the Rosslyn-Ballston Corridor. The Rosslyn-Ballston corridor has 1.3 million SF of office space currently under construction. Two notable Arlington properties are planned to be delivered to the R-B corridor.

- 1812 North Moore Street: 538,111 SF of office planned to be delivered in Q3 of 2013 with no lead tenant
- 800 North Glebe Road: 301,895 SF of office planned for Q1 of 2012 with Accenture as the lead tenant

In November of 2011, one notable “trophy property” was delivered to the R-B corridor named Founder Square. Founders Square is located at 675 North Randolph Street offering 352,740 SF of building space, the building is 100% leased and the lead tenant is Darpa (Colliers International Office Q4 2011).

Building Name	Address	Year Built/ Renovated	SF	Sales Price	Price/ SF	Sale Date
Lehman/Goldman Sachs Rosslyn Portfolio			2,990,000	$1,220,000,000	$552	Oct-11
One Virginia Square	3601 Wilson Boulevard	1999	116,077	$61,850,000	$533	Nov-11
Hartford Building	3101 Wilson Boulevard	2003	212,443	$112,600,000	$530	Jan-11
	1300 N 17th Street	1980	387,724	$204,000,000	$526	Mar-11
The Architect Building	1400 Wilson Boulevard	1965/1993	108,296	$52,650,000	$486	Nov-11
	1616 N Fort Myer Drive	1977	302,262	$145,500,000	$481	Aug-11
Milcourt 1555	1555 Wilson Boulevard	1980/1998	170,767	$67,000,000	$392	Sep-11

Table 3.15 Office Sales Transactions in Arlington

(Source: Arlington Economic Development)

Firm	Northern Virginia	Arlington
Transwestern	520,000	(269,000)
Cushman & Wakefield	(938,874)	(557,938)
Cassidy/Turley	(124,608)	(785,287)
CB Richard Ellis	(1,877,882)	(1,165,237)
Jones Lang LaSalle	(1,004,239)	(649,860)
Grubb & Ellis	(789,527)	(623,206)
CoStar	322,506	(641,588)

Table 3.16 Net Office Absorption in Arlington

(Source: Arlington Economic Development)

Apartment Market Analysis

At a macro level, Washington, DC is perennially a top five multi-housing market in the America. In 2010, low vacancy rates, steady rent growth and favorable supply/demand bumped the Metro DC area to the top of the market rankings. In addition to favorable economics, DC area residents are renters by choice due to high home costs and the transient nature of the population. By third quarter of 2011 the homeownership rate fell to 66% nationwide while rental properties grew at a favorable rate (Cassidy Turner Commercial Real Estate Services, 3rd Qtr 2011). The apartment market in Metro DC is moving from “recovery” to “expansion” in the market cycle. Class A rents are up 6.9% during the last 12 months and all investment grade apartment rents grew 7.8% (CBRE). Due to the economic bubble in the DC metro area the multifamily market continues to attract investors and buyers.

Northern Virginia Apartment Analysis

As a submarket of the Metro DC area, Northern Virginia continues to be a major player and positive force in the apartment market. In 2011, vacancies continued to slip under 5% while rents have gained momentum since the recession and continue to show positive growth. After a period of inactivity, construction is on the rise again as supply and vacancy rates return to pre-recession levels. As shown in **table 3.17**, Northern Virginia has perennially outperformed the South Atlantic and National vacancy rate averages. During the worst period of the recession, Northern Virginia barely reached 6% vacancy rates while the national average was rising to 9% (January 2012 REIS Apartment Reports).

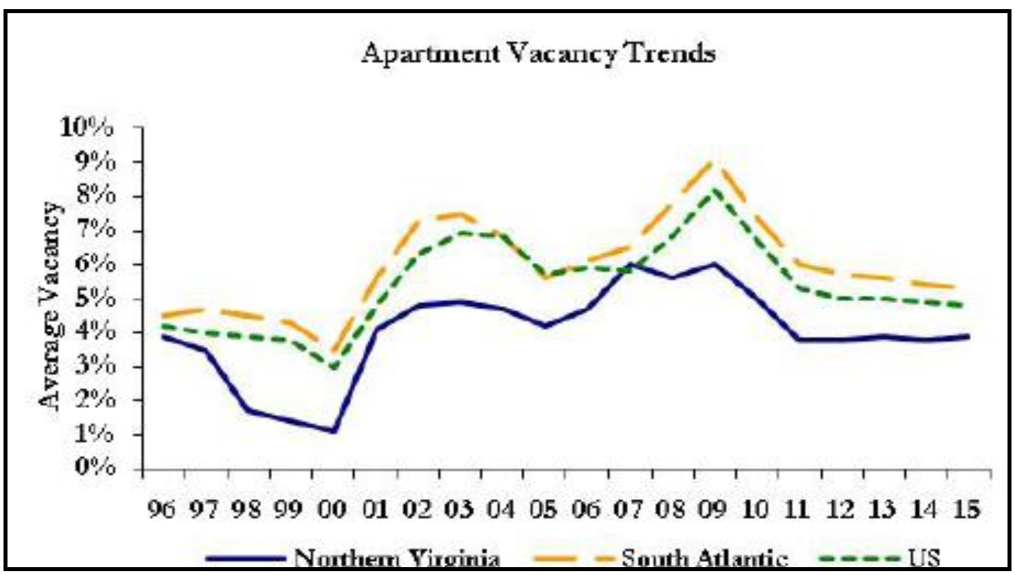


Table 3.17 Apartment Vacancy Trends

(Source: REIS Observer, January 2012)

REIS predict that vacancy rates will fall below 4% for the foreseeable future as the market returns to pre-recession form. In 2011, Northern Virginia saw a net absorption of 1,946 units with 692 new units delivered to the market. A low average cap rate of 5% is a good sign for investors looking to enter the market. According to REIS average cap rates have been as low as 4.2% in 2011; compared to the U.S. average of 6.5% the market is outperforming comparable metropolitan areas. **Table 3.18** shows the apartment cap rate trends for Northern Virginia, South Atlantic and U.S.

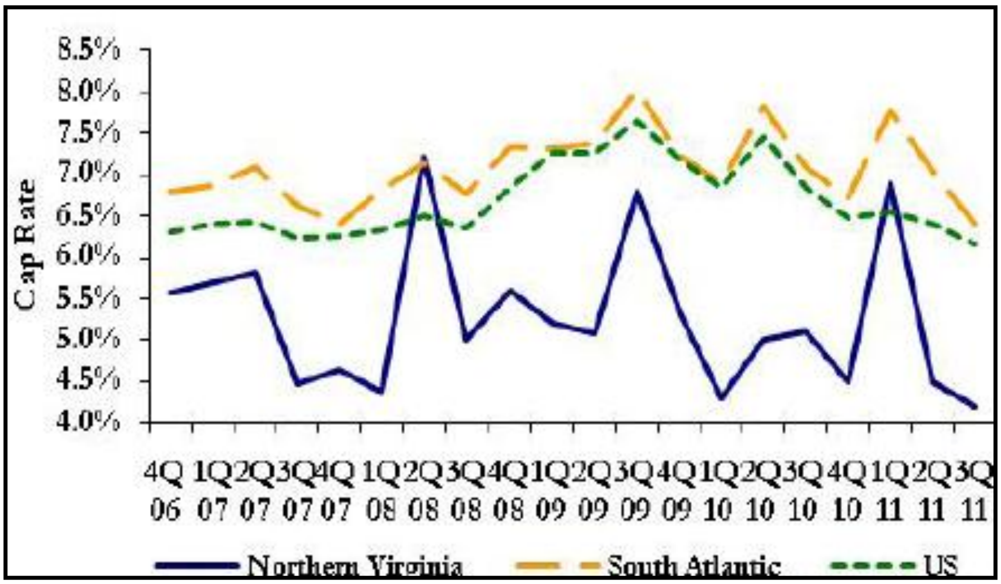


Table 3.18 Apartment Cap Rate Trends

(Source: REIS Observer, January 2012)

Arlington Apartment Analysis

The Rosslyn-Ballston (R-B) corridor continues to be Arlington's busiest submarket for apartment construction and rentals due to the R-B corridor transient oriented development plan and strong demographics. According to REIS, the R-B corridor has a total of 16,431 apartment units with an average asking rent of $1,896 per month. Of the total apartment units in the R-B

Corridor, 65% are considered Class A Apartments. Per **table 3.19,** the Rosslyn-Ballston corridor effective rent rate including concessions for Class A mid and high rise apartments is $2,306 per month. The apartment market in the R-B corridor remains favorable for investors and landlords as the average rent rate rose 4.6% in 2011 and the vacancy rate was the lowest of the five submarket surveyed in Northern Virginia at 3.6% .

Market Indicator	Submarket: Alexandria	Rosslyn/ Ballston Corridor	Crystal/ Pentagon Cities	South Arlington	N and W Fairfax County 7	Northern Virginia Total/Weighted Average
Number of Units Surveyed	2,628	5,486	3,791	1,941	1,076	**14,922**
Rent Levels						
Face Rents @ December 2011	$2,020	$2,356	$2,319	$2,195	$2,705	**$2,292**
Concessions as a % of Face Rents	7.1%	2.1%	2.3%	4.8%	5.1%	**3.5%**
Effective Rents @ December 2011	$1,877	$2,308	$2,265	$2,091	$2,566	**$2,211**
Effective Rents Per Square Foot @ December 2011	$2.04	$2.63	$2.52	$2.23	$2.29	**$2.41**
Per Annum Effective Rent Increase to December 2011						
Since 1989 :	3.6% 2	4.2%	NA	NA	NA	**4.0%**
Since 12/31/2006 :	1.7%	4.6%	2.7%	NA	NA	**3.4%**
Since 12/31/2010 : 1	-0.1%	4.6%	-0.3%	0.2%	1.1%	**1.7%**
Vacancy: December 2011						
Overall 3	5.6%	3.8%	5.0%	6.1%	6.2%	**4.9%**
Stabilized 4	5.6%	3.8%	5.0%	6.1%	5.5%	**4.8%**
Vacancy: December 2010						
Overall 3	5.5%	4.0%	7.1%	12.4%	16.5%	**7.1%**
Stabilized 4	5.1%	4.0%	6.5%	4.4%	3.0%	**4.8%**
Absorption Trends						
Monthly Absorption Pace Per Project For Most Recently Delivered Market-Rate Projects	14	31	12	13	30	**- -**
(Year of Most Recently Marketed Project)	(2009)	(2010)	(2010)	(2010)	(2011)	
Supply Projections						
# of Market Rate Units Under Construction and Available Plus Planned Which Could be Delivered in the Next 36 Months Without Regard to the Probability of Materialization. 5	3,318	2,723	979	111	6,281	**13,412** 6
For Comparison at 12/31/2010 :	2,311	1,896	1,030	490	3,907	**9,634** 6

Table 3.19 Key Market Indicators for Mid and High Rise Apartments

(Source: Delta Associates Q4, 2011)

Also shown in **Table 3.19**, concessions in the R-B corridor are the lowest of the other five submarkets with 2.1% as a percentage of face rent. Favorable rental conditions along the corridor can be attributed to the rising population, strong unemployment rates, high median income, 0% inventory growth and a younger population in favor of renting. According to **Table 3.20**, vacancy rates in R-B corridor could rise above 6% as new development is delivered and new supply catches demand.

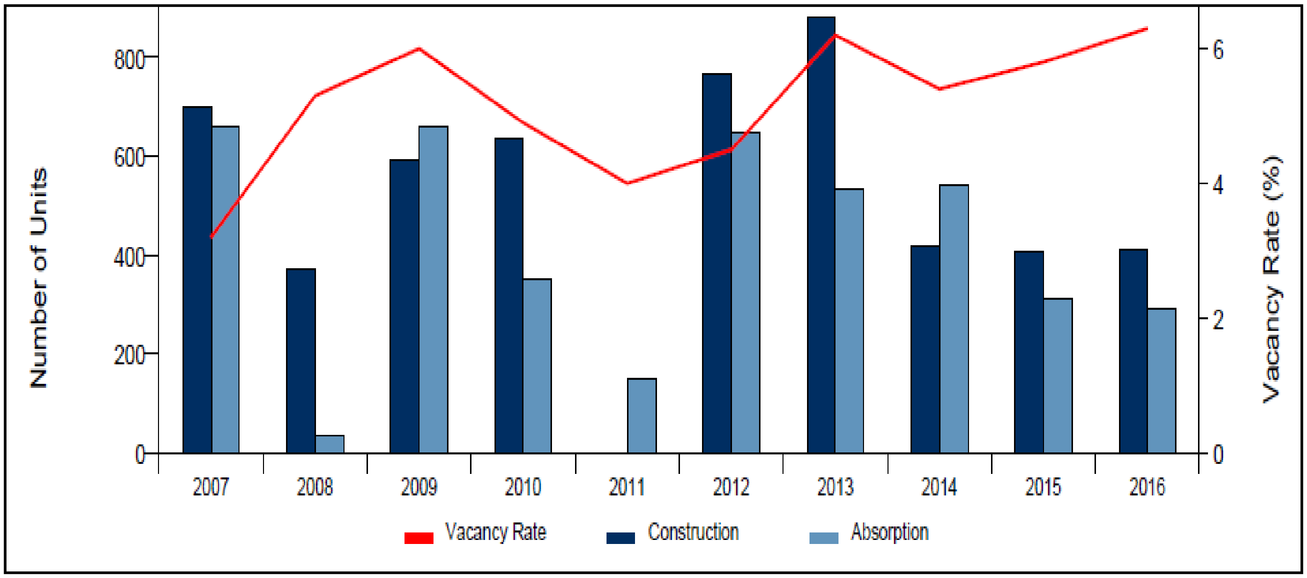


Table 3.20 R-B Corridor Construction, Absorption & Vacancy Rates

(Source: REIS Apartment 4Q, 2011)

According to REIS, the average 2011 rent growth rate in the R-B corridor was 3.5% which is superior compared to the national average growth rate at 2%. REIS forecasts that properties in the R-B corridor will grow 2.5% annually in the next five years.

As seen in **Table 3.20**, there was no change in supply delivered to the R-B market, however four projects totaling 523 market rate units are under construction and set to be delivered in 2012. Lists of those projects are as follows:

- The Views at Clarendon located at 1210 N. Highland Street offers 114 units with 46 market-rate units. Construction commenced October 2009
- Buckingham Village Project located at 4401 4th street North offers 272-units with 120 market-rate units. Construction commenced October 2010
- Garfield Park at Clarendon Village located at 2900 10th street North offers 149 units. Construction commenced in September 2010
- Rosslyn Commons located at Clarendon Boulevard and 16th Road North offers 262 units with 208 market-rate units
- 11 Other planned projects to be delivered after 2012 totaling 2,471 units

Table 3.21 shows the absorption summary per month for low to high-rise apartments. The average absorption of units per month is 14 but can range from 8 to 18 depending on the size and location.

Note: The development project at 1200 North Irving Street would be considered mid-rise and will assume 12 units lease up per month, this is a feasible assumption considering older and less comparable mid rise apartments in Arlington leased up an average of 14 units per month.

Absorption Summary from 2007 to 2010							
	Apartment Name	City	Type	Units	Date Stabilized	Date Delivered	Lease up per Month
1	Bennet Park	Arlington	High-Rise	210	2/9	9/7	8
2	Lo Piazza	Arlington	High-Rise	226	8/8	9/7	18
3	Gramercy at Metro Park	Arlington	High-Rise	379	8/9	10/7	15
4	Camden Potomac Yards	Arlington	High-Rise	378	11/9	9/7	13
5	Liberty Tower	Arlington	High-Rise	236	8/9	3/8	12
6	Parc Rosslyn	Arlington	High-Rise	231	8/9	6/8	18
7	Zoso Flats	Arlington	Mid-Rise	114	5/9	7/8	10
8	Palatine	Arlington	High-Rise	250	11/9	7/8	14
9	Vista on Courthouse	Arlington	High-Rise	191	5/10	11/8	9
10	Halstead	Arlington	Mid-Rise	269	5/10	1/9	14
11	Madison at Ballston Station	Arlington	Low-Rise	234	2/10	3/9	16
12	The Amelia	Arlington	Mid-Rise	108	11/9	7/9	14
13	Gables	Arlington	Low-Rise	132	11/9	6/9	18
	Total			**228**			**14**

Table 3.21 Arlington Absorption Summary

(Source: Mid-Atlantic Class A Apartment Market Report, Mid-Year 2010)

In order to determine a feasible rental rate for a development in Clarendon, several comparable apartments in the area were surveyed. **Table 3.22** lists properties that were surveyed; all of the apartments are located less than two miles from the subject site.

Rent Comparable Summary				
Apartment Name	**City**	**Year Built**	**# of Units**	**Average Rent PER SQUARE FOOT**
Courthouse Plaza (Archstone)	Arlington	1989	396	$2.49
The Clarendon Apartment	Arlington	2006	300	$3.23
Lyon Place Clarendon	Arlington	2010	244	$3.27
2201 Wilson (Archstone)	Arlington	2001	219	$2.76
Residences at Market Commons	Arlington	2002	300	$2.57
Meridian at Courthouse	Arlington	1993	718	$2.80
Prime at Arlington Courthouse	Arlington	2000	273	$2.92
Average Rent/SF All Units				**$2.80**

Table 3.22 Rent Comparable Summary

(Source: www.aptguide.com)

Of the apartments surveyed, the average rental rate per SF ranged from $2.49 on the low end to $3.27 on the high end. The oldest apartment surveyed is Courthouse Plaza delivered in 1989 which posted the lowest comparable rent at $2.49 while the newest apartment surveyed is Lyon Place in Clarendon delivered in 2010 and posted the highest rent at $3.27. A map of the apartments surveyed in relation to the subject site is shown in **Figure 3.16**.

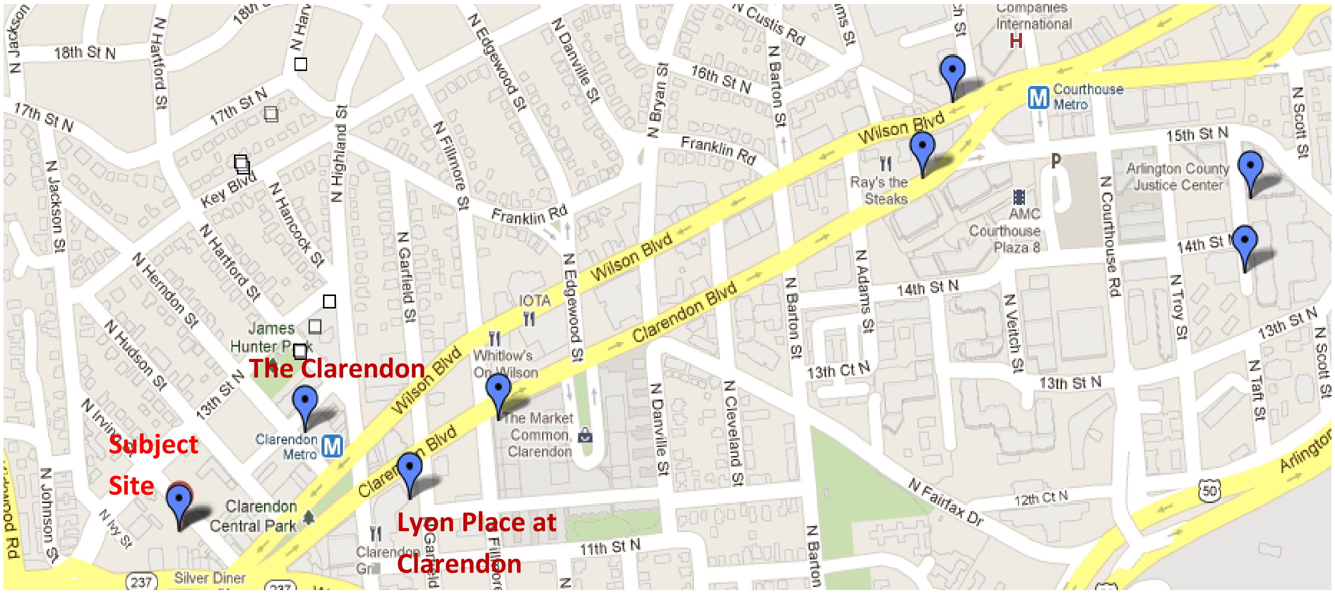


Figure 3.16. Rent Comparable Map

(Source: Google Maps)

The Clarendon and Lyon Place at Clarendon are the most comparable of the properties surveyed due to their age, location, proximity to Clarendon Metrorail and amenities offered.

Figure 3.17 Photo of the Lyon Place at Clarendon

(Source: www.apartmentshowcase.com)

Lyon Place at Clarendon is considered a high-end luxury apartment building and is noticeably superior to its peers in Clarendon. The apartment offers amenities similar to a luxury hotel such as fountains and courtyards, art deco-inspired lobby with fireplace and seating areas, indoor pool, state-of-the-art fitness center, stainless steel appliances and premium features and finishes in every room. Its luxury amenities combined with its central location to Arlington's nightlife, dining, retail and Metrorail attracts consistent demand and 100% occupancy. If the proposed development at 1200 North Irving offered comparable luxury amenities, Lyon Place at Clarendon would still remain superior due to its central location, and therefore an average market rent of $3.27 per square foot is not a feasible.

Figure 3.18 Photos of Clarendon Apartments

(Source: http://www.equityapartments.com/bbrochure.aspx?PropertyId=4009)

The Clarendon Apartment Building is located closer to the subject site than Lyon Place and considered more comparable to the proposed development. Built in 2006, the Clarendon Apartments are more comparable because of its size, location and comparable amenities such as an outdoor swimming pool, fitness center, concierge, clubhouse, business center, standard appliance and balconies. The Clarendon Apartments average close to 3% vacancy and post average market rates of $3.23 per square foot. It is feasible to assume that 1200 North Irving is most comparable to Clarendon Apartments and should attract similar market rates. To account for a possible drop in demand from new competition and unforeseen market trends, a conservative market rental rate of $2.97 per square foot will be assumed for the property.

As shown in **table 3.23**, a unit mix analysis was completed to show the percentage breakdown of efficiency/studio, one-bedroom, and two-bedroom in comparable properties. The table shows that 70% of all units are one-bedroom or studio and 28% are two-bedroom and 2% are three-bedroom. The unit mix at 1200 North Irving Street apartments would have comparable breakouts.

Comparable Unit Mix Summary									
Apartment Name	**City**	**Eff**	**1BR**	**1BR + D**	**2BR**	**2BR + D**	**3B D**	**MPDU**	**Total**
Courthouse Plaza	Arlington	0 0%	299 76%	19 5%	78 20%	0 0%	0 0%	0 0%	396 100%
2201 Wilson	Arlington	0 0%	133 61%	0 0%	86 39%	0 0%	0 0%	0 0%	219 100%
Market Commons	Arlington	19 6%	152 51%	26 9%	99 33%	2 1%	2 1%	0 0%	300 100%
The Prime at Courthouse	Arlington	32 12%	128 47%	24 9%	79 29%	0 0%	10 4%	0 0%	273 100%
Courthouse Place	Arlington	0 0%	329 58%	79 14%	154 27%	0 0%	0 0%	0 0%	564 100%
Meridian at Courthouse	Arlington	124 17%	374 52%	0 0%	220 31%	0 0%	0 0%	0 0%	718 100%
Courtland Towers	Arlington	0 0%	380 67%	0 0%	149 26%	0 0%	42 7%	0 0%	571 100%
Total		**175 6%**	**1795 59%**	**148 5%**	**865 28%**	**2 0%**	**54 2%**	**0 0%**	**3041 100%**
Group Totals	**70%**				**28%**		**2%**	**0%**	**100%**

Table 3.23 Comparable Unit Mix Summary

(Source: www.aptguide.com)

As shown in **Table 3.24**, a comparable unit size analysis was completed for the same set of apartments to determine the average size of the studio, one and two bedroom units that would be used in the proposed apartment at 1200 North Irving Street.

Comparable Unit Size Summary (Averages)								
Apartment Name	**City**	**Eff.**	**1B**	**1BR +**	**2BR**	**2BR +**	**3BD**	**MPD**

			R	D		D		U
Courthouse Plaza	Arlington	0	698	0	1091	0	0	0
2201 Wilson	Arlington	0	693	0	1125	0	0	0
Market Commons	Arlington	601	736	884	1376	1565	1765	0
Courthouse Place	Arlington	525	742	902	1126	0	0	0
Meridian at Courthouse	Arlington	599	790	930	1124	0	0	0
Lyon Place at Clarendon	Arlington	485	663	927	1098	1247	1356	0
The Clarendon Apartments	Arlington	0	654	942	1124	1307	0	0
Average SF		**553**	**711**	**917**	**1152**	**1373**	**1561**	

Table 3.24 Comparable Unit Size Summary

(Source: www.aptguide.com)

Condominium Market Analysis

The Washington, DC Metro area maintains one of the strongest condominium markets in the country. According to Greg Leisch, CEO of Delta Associates, the DC condo market is picking up and he expects condo prices and new supply to increase in 2012. In 2011, newly built condominium market offered little supply as developers remain risk adverse following the 2008 financial crisis. In 2011, only 2,039 condominiums sold in the Washington Metro area, marking a 23% decline from 2010 and 85% decline from 2005. Arlington, VA ranked lowest for new condominium sales at 0% and Prince William County ranked the highest at 94%. In 2011, there were 19 new projects that had begun sales with the average size project offering 53 units and 2.1 years of supply on the market. As shown in figure 2.1, 2011 marked the lowest yearly sales volume in almost a decade. According to McWilliams Ballard it is not due to lack of demand but the scarcity of quality new condominiums on the market.

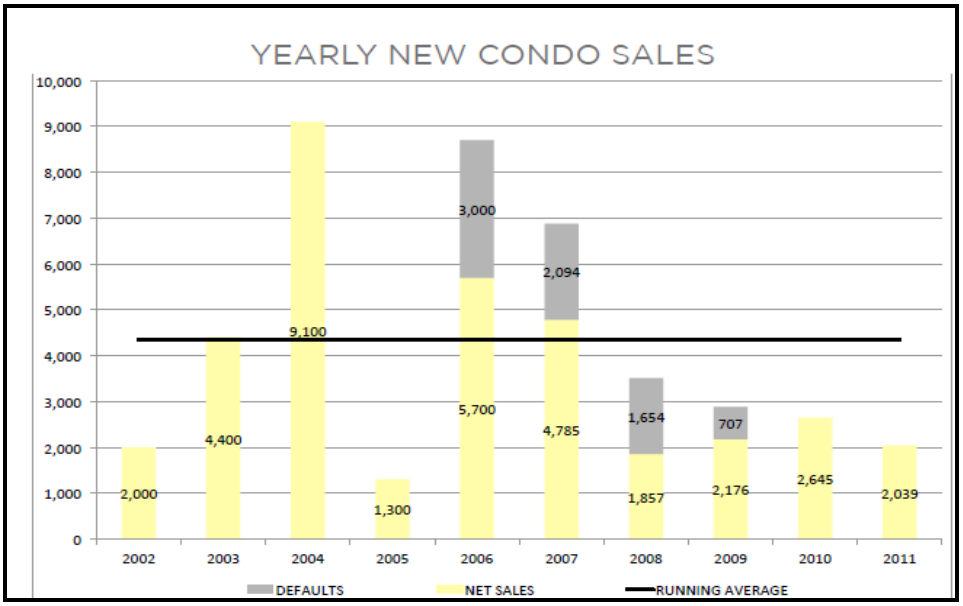


Table 3.25 Yearly New Condominium Sales

(Source: McWilliams Ballard 2011 Year-End Report)

The Washington metro area has reached a point where supplies are dwindling with little quality condominiums in attractive markets such as Arlington and Bethesda. For the fourth quarter in a row Arlington and Washington, DC failed to represent 50% of the sales in the area and further demonstrating that a lack of supply is to blame as historically these submarkets drive condominium sales in the metro area. Furthermore, McWilliams Ballard forecasts that markets closest to the district will face a supply shortage for the next 18 months while construction begins, which explains the shortage of supply in the short term.

Arlington Condominium Market Analysis

The county of Arlington is experiencing a major shortage in supplies as only 147 total units were sold in 2011 which is a 51% decrease from 2010. At the end of 2011, Arlington had 296 units available and representing 7% of the Washington areas total supply of condominiums for sale. New supplies have basically dried up with 69% of all sales attributed to two developments that were delivered in 2010. **Table 3.26** illustrates the low percentages of new condo sales and remaining inventory in the county of Arlington.

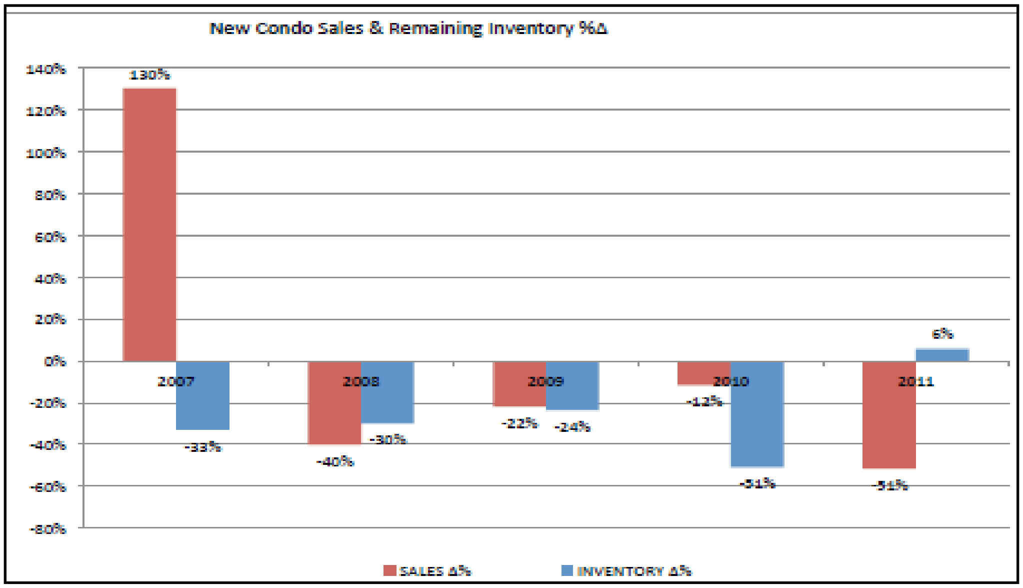


Table 3.26 New Condominium Sales and Remaining Inventory % change in Arlington, VA
(Source: McWilliams Ballard 2011 Year End Report)

As **table 3.27** illustrates, Arlington's lack of supplies coupled with a strong market, new and used condominium prices continues to rise. Arlington ranks second only to D.C in average resale price within the past three years. Average resale price increased by 3.1% marking an average price of resale at $370,205 with an average of 64 days on the market; these variables make Arlington one of the strongest performers in the Washington metro area for condominium sales.

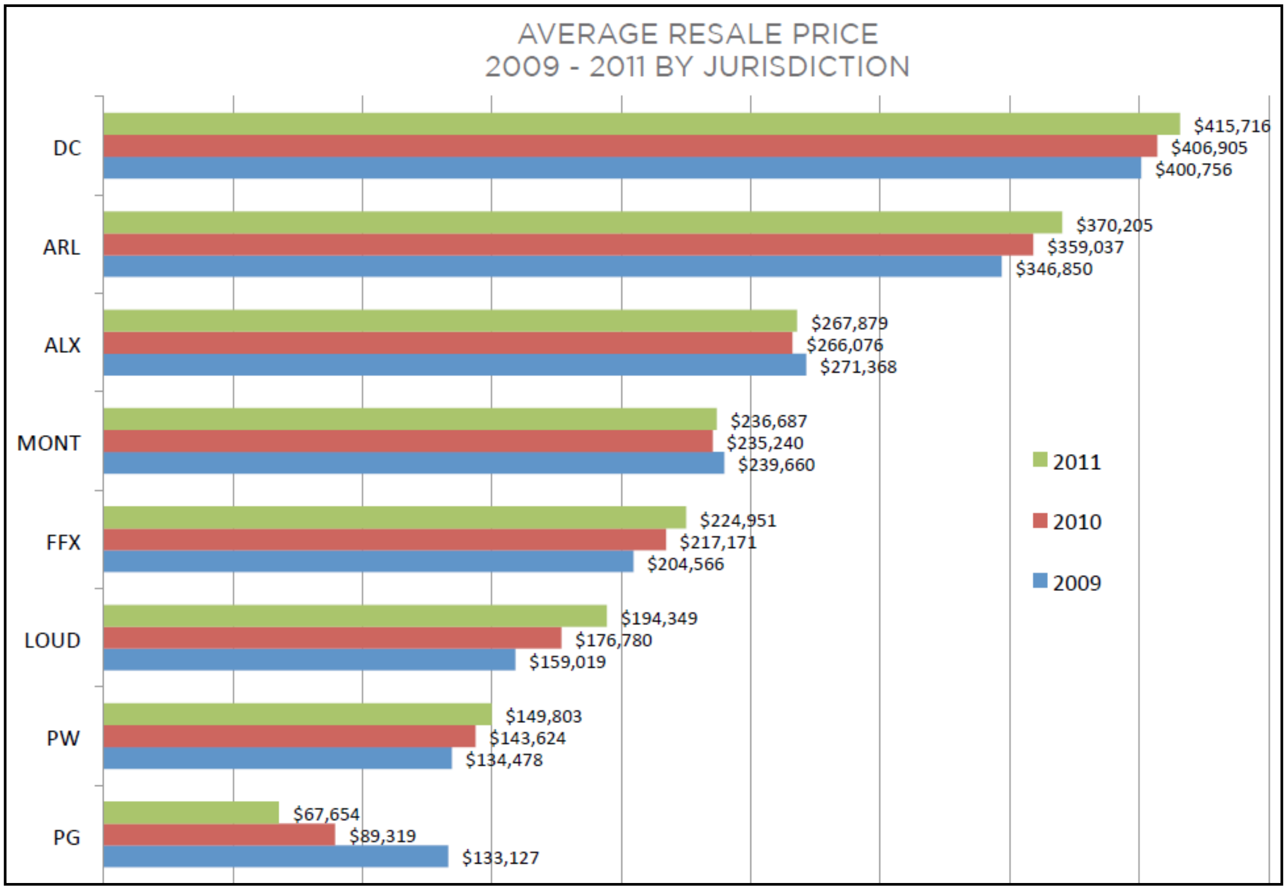


Table 3.27 Average Resale Price in Metro Washington Submarkets

(Source: McWIlliams Ballard 2011 Year End Report)

Since 2008, condominium development in the R-B corridor slowed down with the rest of Arlington as developers are skeptical following the aftermath of the financial crisis with years of foreclosures. Only recently have developers began building condominiums again. Several projects are in the development pipeline as the corridor expects 2,100 units in near term while another 1,320 rental and condo units are in the projected long term pipeline.

Listed in **Table 3.28** are eight multi-family development projects ranging from apartments to condominiums that are planned, under construction or recently delivered in the Clarendon/Courthouse area. Of the eight developments there are approximately 898 apartment units and 175 condominium units that are planned or under construction in the delineated area. Of the 175 total condominiums, only 21 of those units are currently being constructed while the remaining 154 are still in early planning stage. To conclude, with minimal supply of condominiums and the possibility of an oversupply of apartments, there is a possibility that the market will swing back in favor of condominiums.

	**1900 Wilson Boulevard** **Arlington, VA** Neighborhood: Courthouse Distance From Site: 1.4 miles Project type: Apartment Status: Under Construction Units: 191
	**2001 Clarendon Boulevard** **Arlington, VA** Neighborhood: Courthouse Distance From Site: 1.1 miles Project type: Condo Status: Planned Units: 154
	**2201 North Pershing Dr.** **Arlington, VA** Neighborhood: Lyon Park/Rt.50 Distance From Site: 1.2 miles Project type: Apartment Status: Under Construction Units: 188
	**The Court at Lyon Village** **Arlington, VA** Neighborhood: Clarendon Distance From Site: 0.6 miles Project type: Condo Status: Under Construction Units: 13

	**Garfield Park at Clarendon** **Arlington, VA** Neighborhood: Clarendon Distance From Site: 0.5 miles Project type: Apartment Status: Under Construction Units: 149
	**Lyon Pointe** **Arlington, VA** Neighborhood: Lyon Village Distance From Site: 0.2 miles Project type: Condo Status: Under Construction Units: 8
	**The Tellus** **Arlington, VA** Neighborhood: Courthouse Distance From Site: 1.2 miles Project type: Apartment Status: Under Planned Units: 254
	**vPoint** **Arlington, VA** Neighborhood: Clarendon Distance From Site: 0.3 miles Project type: Apartment Status: Delivered, Leasing Up Units: 116

Table 3.28 Multi-family Development Projects

(Source: dc.urbanturf.com)

In order to determine accurate assumptions for the financial analysis, comparable properties along the R-B Corridor were used to determine the average resale price, unit mix, average price per SF and average SF per unit, **table 3.29** lists the properties. The average 2011 resale price of the seven properties surveyed is $466,527 or $526 per square foot, these averages should be comparable to the prices that the development could achieve if condominiums were the highest and best use.

Project	2011 Resales	Average SF	Average Original Price	Original PSF	Average 2011 Resale Price
The Continental	29	795 sf	$288,491	$363 psf	$384,381
Station Square	15	991 sf	$482,973	$488 psf	$554,220
Phoenix	13	938 sf	$467,292	$498 psf	$479,105
1800 Wilson	13	817 sf	$404,427	$495 psf	$412,732
Odyssey	16	859 sf	$487,906	$568 psf	$482,046
The Waterview	4	665 sf	$495,000	$744 psf	$486,350
Clarendon 1021	23	948 sf	$500,209	$528 psf	$466,855

Table 3.29 Comparable Condominium units for sale along the R-B Corridor

(Source: McWIlliams Ballard 2011 Year End Report)

Table 3.29 shows the average square feet per unit that will be taken into consideration for the unit mix breakout featured in the financial analysis. **Table 3.30** shows that 1BR units provide the best return for a owner as they achieve the greatest quantity of sales, highest average resale price per SF and percentage change in resale price.

Unit Type	2011 Resales	Average SF	Average Original Price	Original PSF	Average 2011 Resale Price	2011 Resale PSF	Min % Δ	Max % Δ	Avg % Δ	Average Years Between Sales
STUDIO	9	556 sf	$229,256	$412 psf	$273,733	$492 psf	0.0%	52.4%	19.4%	5.9
1BR	54	745 sf	$372,611	$500 psf	$395,428	$530 psf	-37.0%	62.8%	6.1%	5.1
1BR/DEN	11	930 sf	$502,027	$540 psf	$517,655	$557 psf	-23.8%	63.5%	3.1%	4.6
2BR	49	1,153 sf	$562,250	$488 psf	$580,373	$503 psf	-22.4%	52.0%	3.2%	5.4
2BR/DEN	16	1,158 sf	$409,778	$354 psf	$386,644	$334 psf	-19.2%	12.9%	-5.6%	4.1
3BR	2	1,356 sf	$411,730	$304 psf	$413,300	$305 psf	-3.5%	4.6%	0.4%	3.2

Table 3.30 Condominium Unit Types in Arlington, VA

(Source: McWIlliams Ballard 2011 Year End Report)

According to McWilliams Ballard, there are positive trends for newer condominiums for the top zip codes in the DC Metro area. Table 1.1 shows the comparison between condominiums re-sales “built since 2000” verses “built before 2000”, the comparison indicated that newer condominiums had fewer negative trends compared to older condominiums. McWilliams Ballard believes that the positive trends for new condominiums indicate that the Washington Metro area will show strong demand for new condominiums and new product will continue to deliver without enough supply to satisfy the market. Evidence in Arlington fully supports McWilliams Ballard’s forecast of strong demand for new condominiums as a property called 1221 Quinn Street featuring 13 new condominiums in 2011 successfully sold 85% of its inventory in one month.

PRODUCT BUILT SINCE 2000						
Year	Sales	Average Price	Average DOM	Average PSF	Average Discount	% Discount
2010	702	$530,318	56 days	$510 psf	-$30,285	-5.7%
2011	960	$535,793	64 days	$509 psf	-$26,071	-4.9%
	36.8%	1.0%	14.8%	-0.2%	-13.9%	0.8%

PRODUCT BUILT BEFORE 2000						
Year	Sales	Average Price	Average DOM	Average PSF	Average Discount	% Discount
2010	1,789	$410,732	60 days	$415 psf	-$21,973	-5.3%
2011	1,440	$411,093	78 days	$418 psf	-$25,444	-6.2%
	-19.5%	0.1%	31.0%	0.8%	15.8%	-0.8%

Table 3.31 Product Built Before 2000 vs. After 2000

(Source: McWilliams Ballard 2011 Year End Report)

Market Analysis Conclusion

To conclude, the market analysis of Retail, Office, Condominium and Apartments shows that there is opportunity for investment in the Arlington area. The market variables are favorable in Arlington and with the right timing and capital structure any of the four building uses could be market feasible. **Table 3.32** shows a summary of the market variables in Clarendon for each building use:

	Apartment	Condominium	Class A Office	Retail
$/SF	**$2.49 – 3.27**	**$450 – 744**	**$39 – 41**	**$30 - 66**
Vacancy Rate	**3%**		**11 – 12%**	**2.6 – 4%**
Cap Rate	**5.5%**		**6.84% - 7.31%**	**6.8 – 7%**
Absorption	**37**	**2,039** **(DC metro Total)**	**(23,401)**	**12,208**
Forecast	**Positive**	**Positive**	**Neutral -**	**Positive**

Table 3.32 2011 Summary of Clarendon Market Analysis

Development Options

The subject site is designated medium density mixed-use of the Clarendon Revitalization District which allows for several development options for the site including residential, retail, commercial or mixed-use. The following scenarios will be considered in the return on cost and return on equity analysis:

- Scenario 1: Develop the site as condominiums with retail on the base floor. The development would reflect the bonus density awarded from ADU cash contributions of 1.5 FAR which would maximize the gross square feet as permitted by the C-3 zoning guidelines. The total FAR will be 4.5 FAR.

- Scenario 2: Develop the site as condominiums with retail on the base floor. The development would not include the ADU bonus densities of 1.5 FAR, but it will include the bonus density of .15 FAR for meeting LEED requirements. A reduction in FAR would reduce the size of the building and subsequently reduce the cost of construction parking which may result in less risk and a better return.

- Scenario 3: Develop the site as apartments with retail on the base floor. The development would reflect the bonus density awarded from ADU cash contributions of 1.5 FAR which would maximize the gross square feet as permitted by the C-3 zoning guidelines. The total FAR will be 4.5 FAR.

- Scenario 4: Develop the site as apartments with retail on the base floor. The development would not include the ADU bonus densities of 1.5 FAR, but it will include the bonus density of .15 FAR for meeting LEED requirements. A reduction in FAR would reduce the size of the building and subsequently reduce the cost of construction and required parking which may result in less risk and a better return.

- Scenario 5: Develop the site as office with retail on the base floor. The total allowable FAR for office according to zoning guidelines is 3.0 with a potential LEED bonus density of .15 FAR, for a total of 3.15 FAR. This scenario will test the financial feasibility of building office over multifamily use.

Return on Cost Analysis

In order to test the financial feasibility of each scenario, a return on cost analysis was performed to compare the five scenarios. The **table 3.33** is a summary of the return on cost analysis.

	Apartment & Retail with 4.50 FAR	Apartment & Retail with 3.15 FAR	Condominum & Retail with 4.50 FAR	Condominium & Retail with 3.15 FAR	Office & Retail with 3.15 FAR
Apartment/Office Net Proceeds	$70,417,614	$54,335,189	$ 81,047,059	$ 62,537,013	$ 39,700,917
Retail Net Proceeds	$ 5,380,200	$ 5,380,200	$ 5,380,200	$ 5,380,200	$ 5,380,200
Net Proceeds	$75,797,814	$59,715,389	$ 86,427,259	$ 67,917,213	$ 45,081,117
Total Costs	$64,586,346	$46,111,228	$ 72,635,934	$ 55,003,530	$ 53,374,654
Profit	**$11,211,468**	**$13,604,161**	**$ 13,791,325**	**$ 12,913,683**	**$ (8,293,537)**
Return on Costs	**17.36%**	**29.50%**	**18.99%**	**23.48%**	**-15.54%**

Table 3.33 Return on Cost Summary

From this analysis it is apparent that office use does not pass the return on cost test due to the high cost of construction and parking requirements coupled with a high vacancy rate of 11% and cap rate of 7%. Apartments on the other hand provide a competitive return on cost due to lower construction costs, high market rent, cap rates of 5.5% and vacancy rate of 3%. Condominiums could ultimately offer the highest returns but investors and developers are skeptical to build large condominium projects and carry the risk of foreclosures. Apartments provide the greatest return on cost due to favorable lending terms and low cap rates.

Reference Appendix E - Return on Cost and Equity Analysis

Return on Equity Analysis

Return on equity is the next analysis that will test the financial feasibility of the five scenarios. In order to make this analysis work it is assumed that the apartment and office building will be sold once stabilization is reached. According to Jon Mullen of Philips Reality Capital, the loan to cost for condominiums and office is 60-65% and apartments are 70-75%. Apartments pose the least risk to lenders and therefore receive the most attractive terms. Condominiums pose the greatest risk due to the risk of foreclosures and therefore most condominium developments are small in size to reduce the risk.

	Condominum & Retail with 3.15 FAR	Condominium & Retail with 4.50 FAR	Apartment & Retail with 4.50 FAR	Apartment & Retail with 3.15 FAR	Office & Retail with 3.15 FAR
Total Costs	$ 55,003,530	$ 72,635,934	$ 64,586,346	$ 46,111,228	$ 53,374,654
Loan to Cost	60%	60%	75%	75%	65%
Loan Amount	$ 33,002,118	$ 43,581,560	$ 48,439,759	$ 34,583,421	$ 34,693,525
Equity Requirement	$ 22,001,412	$ 29,054,374	$ 16,146,586	$ 11,527,807	$ 18,681,129
Profit	$ 12,913,683	$ 13,193,525	$ 11,211,468	$ 13,604,161	$ (8,293,537)
Return on Equity	**59%**	**45%**	**69%**	**118%**	**-44%**

Table 3.34 Return on Equity Summary

Based on the projected equity return in **table 3.34** the apartment development is the most feasible of the uses analyzed. From this analysis it is clear that office can be eliminated from consideration because of its high cost of construction due to a larger parking garage requirement along with unfavorable loan to cost options and high vacancy rates. The apartment and condominium scenarios both provide a return on equity that is substantial enough for most investors. To conclude, it is financially feasible to develop both apartment options with retail. The additional risk of building a larger apartment building due to the additional construction costs and equity requirement is not advisable. Moving forward, the analysis will focus on the development of a five-level stick built apartment building with retail.

Reference Appendix E - Return on Cost and Equity Analysis

Development Potential and Site Plan

The development potential for the site with a floor plate of 51,902 total square feet for a mixed-use apartment/retail development is shown in **table 3.35**.

Site Area	51,902
Allowable Density	3.00
Bonus Density(LEED)	0.15
Total Density	**3.15**
Gross Floor Area	**163,491**
Residential	
Total GFA	**148,491**
Number of Units	146
Commercial	
Retail GFA	**15,000**
Number of Units	4
Below Grade Parking Garage	**102,616**
Number of Levels	2
Number of Space	207

Table 3.35 Development Potential

Site Plan and Entitlements

The existing site plan that was submitted by ZOM Clarendon in 2005 and approved by the Arlington County Planning Commission remains valid. However, the design of the new proposal project has changed significantly since the plan was submitted seven years ago. In speaking with Tom Miller, Arlington Planning Division Supervisor, a new site plan will be required to be submitted if the design and footprint differs from the original submission. The most notable change from the original site plan submitted seven years ago is the footprint of the building, which has changed from two separate buildings to one large "L" shaped building, the square feet of retail was reduced from 18,299 to 15,000, the height was reduced from 125' to 55', the FAR was reduced from 4.00 to 3.15 and the total number of dwelling units were reduced from 155 to 146. Due to these major changes the site plan approval process will have to start over again. The time frame to prepare and file the preliminary site plan and final site plan will take approximately a year but could take less because the new site plan will not require a rezoning hearing. The entitlement schedule is outlined in **table 3.36.**

1200 North Irving Entitlement Timeline		
	Start	**Finish**
Prepare Prelimanary Site Plan	5/1/2012	9/1/2012
File Preliminary Site Plan	10/1/2012	
Preliminary Site Plan Approval		1/1/2013
Prepare Final Site Plan	2/1/2013	6/1/2013
File Final Site Plan	7/1/2013	
Final Site Plan Approval		12/1/2013
File Construction Drawing	5/1/2013	
Construction Permit		6/1/2013

Table 3.36 Entitlement Timeline

Development Plan and Timeline

After consulting with Mr. John Bornholdt who has several years of construction management experience, a timeline with key milestone dates and durations through completion of the project is outlined in **table 3.37**.

1200 North Irving Development Timeline		
	Start	**Finish**
Contract Ratification	5/1/2012	9/1/2012
Feasibility/Due Diligence/Partnership Agreement	9/1/2012	12/1/2012
Entitlements: Rezoning/Site Plan/Construction Plans	12/1/2012	6/1/2013
Close Development/Construction Loan		6/1/2013
Construction – Apartments	7/1/2013	12/1/2014
Delivery – Apartments		1/1/2015
Stabilization - Apartments/Retail	1/1/2015	12/1/2015
Close Permanent Loan		1/1/2016
Reversion		1/1/2021

Table 3.37 Development Timeline

The process of searching and choosing a construction lender will begin once the site plan is submitted to the Planning Commission. The construction loan will be closed as soon as the Planning Commission approves the site plan. Mr. Bornholdt advised that the construction of comparable-sized buildings will take about 18-24 months; early completion will be contingent on favorable weather patterns and the absence of construction contingencies. 1200 North Irving Development LLC will hire experienced consultants from the Washington Metro area for the design, construction and execution of the project. Through recommendations from Mr. Bornholdt, the following consultants have been identified for the development:

CUNNINGHAM | QUILL ARCHITECTS

Architect and Design: The development team has chosen Cunningham & Quill PLLC to design the project. Cunningham & Quill PLLC is a well-respected firm in the Washington, DC area that specializes in residential mixed use architectural design. The firm's approach is to achieve excellence through rigorous attention to detail and to discover the qualities unique to each specific project with the goal of enriching the local environment. The firm was honored with the Award of Merit in 2009 by Arlington County for the design excellence of the The Wooster and the Mercer Loft condominiums located in Rosslyn. The firm has experience designing comparable apartments with neoclassical Virginia architecture.

BEAN KINNEY & KORMAN PC
ATTORNEYS

Permits and Approvals: Bean, Kinney, & Korman's experience and strong reputation in Arlington have enabled them to become the premier real estate law firm in the region. Bean, Kinney, & Korman have over three decades worth of experience in Northern Virginia's land use, zoning and local government matters. They are knowledgeable in all aspects of the development process, including the site plan, special exception and use permit processes, zoning, variance and subdivision approvals. The firm represents developers and property owners during the construction process, and is experienced in construction and development coordination and facilitation.

DAVIS

Construction: The development will work with James G. Davis Construction Corporation as the General Contractor for the Project. Davis has provided superior construction services to Northern Virginia area since 1966. They have experience constructing multi-family residential buildings, mixed-use and interior construction projects for corporate headquarters, law firms, government agencies, technology companies, telecommunications firms, schools, retail, restaurants, conference facilities, hotels and LEED construction. Davis has extensive experience in the role as general contractor of several office, residential and LEED projects in Arlington, VA. Engineering New record recently named Davis #133 in the top 400 contractors in the country and #35 as a top green contractor. The American subcontractors association of Metro Washington named Davis the General Contractor of the years 4 of the last 5 years.

Management: The Bozzuto Group is a privately held, integrated real estate services organization that began in 1988. Bozzuto has over 20 years of experience and an extensive portfolio in the local market and has become a leading real estate firm in the Arlington area. Bozzuto manages multiple properties in Arlington with the most notable being the Clarendon Market Commons. Bozzuto will manage and lease the building until the time of reversion. Bozzuto was honored as a two-time NAHB Best Property Management Company.

Reversion Sales: If the property is sold soon after stabilization, the development team has contracted with McWilliams Ballard to lead the sales and marketing of the property. McWilliams Ballard is based in Alexandria, VA and has over 15 years of experience specializing in sales and marketing of condominiums and townhouses. The firm is one of the most successful real estate marketing firms on the East Coast and has sold more homes than any other firm in the Mid-Atlantic Region. McWilliams Ballard prides itself on finding the perfect combination of sales pace and price, maximizing return while minimizing risk. The firm is consistently ranked in the top 5 of national firms associated with multi-family sales.

Retail Leasing and Sales: For more than 25 years, the Rappaport Companies has provided the Washington D.C. area with real estate services focusing on retail properties. The firm provides retail leasing, tenant representation, property management, receivership, and development services for space in shopping center and missed-use properties throughout Washington D.C., Maryland and Virginia. Rappaport manages several properties in Arlington, VA and offers the most expertise of the retail market in Northern Virginia.

Building and Site Design

The 1200 North Irving Apartment will be designed to emphasize Neoclassical Virginia Architecture that is commonly found in Arlington and Alexandria. This type of design features traditional red and tan brick with punch windows. The mixed-use building will feature 5 floors and 163,491 GSF of space with 15,000 SF designated for ground floor retail use and 148,242 of residential space. The building will be slightly unique as it will be positioned in an “L” shape along Washington Boulevard and North Irving Street. The residential part of the building will feature 146 apartment units plus the common area that includes the lobby, business center, fitness center, clubhouse, leasing office, and swimming pool. The entrance of the apartments and ingress and egress to the parking will be located on North Irving Street. The apartments will offer open and spacious floor plans, ten foot ceilings, a sound retardant floor system, medium finishes including crown molding in all rooms, new carpeting, stainless steel appliances, full size washer and dryer, granite counter tops, ceramic tile flooring in the kitchen and bathroom, and generous sized balconies.

The building structure will be four levels of stick build wood framing above one level of podium on the base floor and a two-level below-ground parking garage. It should be noted that if the building exceeded five floors then the cost of construction would be significantly more expensive due to additional structural requirements including an infinity hybrid system or concrete structure rather than the cheaper stick build that is currently being used. Each of the four residential floors will be 10’ floor to floor and the first floor will be 15’ floor to floor. The total height of the building will be 55’. In order to meet the setback and taper requirements set forth in the Clarendon Sector, the building will be tapered back above the retail on Washington Boulevard setback 10’ on the 3rd floor, 20’ on the 4th floor, and 30’ on the 5th floor. Furthermore, on the back end of the building along 13th Street North the façade will be tapered 25’ on the 3rd and 4th floors and 50’ on the 5th floor to meet the taper requirements for buildings within 165’ of residential neighborhoods.

The design of the building will be compatible with the following guidelines set forth in the Clarendon Sector plan:

- The design of the retail space along Washington Boulevard is required to follow specific guidelines including 75% façade transparency (windows), entries to individual tenant retail spaces should be spaced no more than 50 feet apart and minimum structure clear heights of 15 feet with the only permitted projections being signs, awnings and blade signs.
- The exterior façade of the residential spaces are required to incorporate materials, textures, patterns, colors, and details to reduce the perceived mass of large buildings.
- The façade should utilize human-scaled architectural elements such as cornice lines and include three-dimensional detailing such as belt courses, window moldings, bay windows, natural clay brick, and transparent windows.

- A landscape architect will design the outdoor spaces and incorporate a mixture of bushes, trees, grass, and flowers.

In order for the building to obtain a .15 bonus density it is required that the building earns a LEED score of at least 26 credits. The design and construction of the building will incorporate LEED credits by investing in sustainable elements including a green roof, local and regional construction materials, low emitting paints, composite wood, adhesives/sealants and carpeting, energy star appliances, bicycle storage and racks, storm water management system, and water efficient landscaping.

Parking Requirements

According to the Arlington Zoning Ordinance (Section 33), the following parking guidelines for all multi-family dwellings in the Clarendon Revitalization District are as follows:

> " One (1) parking space for each dwelling unit and one (1) parking space for each five hundred eighty (580) square feet of gross floor area not part of a dwelling unit, and seven tenths (.7) parking spaces for each guest room."

The following guidelines for retail space are as follows:

> "One (1) space for each two hundred fifty (250) square feet of floor area on the first floor in a building…to encourage and promote pedestrian-related commercial activity in Metro Station areas… no parking shall be required for retail and service uses for the first five thousand (5,000) square feet of floor area per main building."

Table 3.38 shows the parking requirements based on the guidelines described in this section for the proposed development based on 146 dwelling units with 29 guest rooms, 15,000 retail space, and 28,384 of gross floor area of common space.

15,000 SF Retail (5,000 SF excluded) @ 1 space per 250 SF	146 Dwelling Units @ 1 space/unit	30 Guest Rooms @ 0.7 space/rooms	**Total Parking Spaces**
40	146	21	**207**

Table 3.38 Proposed Development Parking Requirements

Affordable Dwelling Unit Requirements (ADU)

Per the affordable housing requirements set forth in Section 36 of Arlington's Zoning Commission, the following options are available: on-site ADU's, off-site ADU's or a cash contribution to the Affordable Housing Investment Fund. Below is an outline of the basic requirements for ADU's:

- ADU's shall be provided on-site as part of the site plan project, the total gross square footage of which shall be 5% of the GFA above 1.0 FAR.
- ADU's shall be provided off-site near the site plan project, the total gross square footage of which ADU's shall be 7.5% of the GFA of the site plan project above 1.0 FAR.
- The applicant shall make a cash contribution to the Affordable Housing Investment Fund calculated as follows for each fo the described tiers;
    - $1.50 per square foot of GFA for the first 1.0 FAR
    - $4.00 per square foot of GFA from 1.0 FAR to 3.0 FAR for residential projects and $4.00 per square foot of all GFA above 1.0 FAR in commerical projects.
    - $8.00 per square foot of GFA above 3.0 FAR for residential projects.

In exchange for meeting the ADU provision the county board may permit up to an additional 1.5 FAR in bonus density, however the building height must not exceed maximum height limits provided in section 31.A.17.d (6) of the zoning ordinance.

Based on the guidelines outlined above, the proposed development has decided to contribute to the Affordable Housing Investment Fund in the amount of $555,351. The decision to contribute to the fund was due to the significan loss in market rent units that are not achievable if ADU's are provided.**Table 3.39** shows how the calculation was derived.

SF	FAR	Rate	Total
51,902	1.0	$1.50	$77,853.00
51,902	2.0	$4.00	$207,608.00
51,902	3.0	$4.00	$207,608.00
7,785	0.15	$8.00	$62,282.40
163,491	**3.15**		**$555,351.40**

Table 3.39 Affordable Housing Investment Fund Contribution

Financial Analysis

Site Acquisition Costs

In order to determine the site acquisition costs the market value of the land has to be determined. The market value is determined by two approaches: 1) Land value appraisal provided by the Arlington County Department of Real Estate Assessment; 2) Comparable land sales in Arlington. Beginning with the appraisal of the property, the formula in determining the land value is based on the following factors:

- Sales Comparison Approach: properties that have recently been sold that are comparable to the property;
- Cost Approach: cost to replace your property with one similar at current material and labor costs;
- Income Approach: how much income a property would produce if it were rented as an apartment, house, store, or factory, etc;
- Current rate of interest charged for borrowing money to buy or build comparable properties.

According to Arlington County's appraisal, the total value of the site is the total value of the ten land parcels listed in **Table 3.40;**

RPC	Address	Lot Size	Value
15078003	3217 WASHINGTON BLVD	2,214	$ 1,021,200.00
15078004	3225 WASHINGTON BLVD	9,873	$ 4,547,400.00
15078005	WASHINGTON BLVD	4,313	$ 992,800.00
15078013	1228 N IRVING ST	6,900	$ 1,588,400.00
15078014	N IRVING ST	4,600	$ 1,058,900.00
15078015	N IRVING ST	5,750	$ 1,323,600.00
15078016	N IRVING ST	5,750	$ 1,323,600.00
15078017	1200 N IRVING ST	5,750	$ 1,323,600.00
15078018	1128 N IRVING ST	4,565	$ 1,058,900.00
15078023	1126 N IRVING ST	2,187	$ 504,500.00
Total		**51,902**	**$ 13,721,700.00**

Table 3.40 1200 North Irving Property Value

According to Arlington County's appraisal the land is worth $13,721,700 as of January 2012. The cost per buildable square feet at 163,491 square feet total is $83.92 per square foot and the cost per unit is $93,984.24 at 146 dwelling units. This appraisal is consistent with the price paid by USAA in 2011, when USAA purchased the land for $13,500,000 from ZOM Clarendon.

The next step is to analyze sales in Arlington to compare the market value of recent sales to the appraisal value. **Table 3.41** lists recent land sales in Arlington from 2007 to present.

Date Sold	Property Name	# of Units	Price	Price/Unit	Buildable SF	Price/SF
July-12	2636 Wilson	85	$7,935,000.00	$117,674.00		
June-11	650 N. Quincy Street	183	$7,935,000.00	$ 43,000.00		
April-11	651 N. Glebe Road		$11,800,000.00		137,374	$ 85.90
August-10	Fairfax Drive and North Quincy		$12,500,000.00		225,000	$ 55.56
June-10	Rolfe Street Apartments		$ 6,216,000.00		64,800	$ 95.93
May-10	1776 Wilson Boulevard		$10,000,000.00		135,000	$ 74.07
April-10	841 N. Lincoln Street		$ 4,000,000.00		36,000	$ 111.11
March-10	North Pershing Drive		$12,000,000.00		230,000	$ 52.17
November-09	675 North Randolph Street		$12,800,000.00		352,750	$ 36.29
July-08	900 North Glebe Road		$14,700,000.00		140,000	$ 105.00
April-08	1916 Wilson Boulevard		$21,600,000.00		175,000	$ 123.43
November-07	Wundoria Hill		$34,136,224.00		450,000	$ 75.86
Average			**$12,968,518.67**	**$ 80,337.00**	**194,592**	**$ 81.53**

Table 3.41 Arlington Land Sale Comparables from 2007 to Present

(Source: ARA National Land Services Group)

The average price per square foot at 1200 North Irving is $83.92 which is slightly higher than comparable land in Arlington at $81.53. After comparing the appraisal value to the land sales it is safe to assume that $13,721,700 is the accurate market value of the site.

Real Estate Taxes

A uniform tax rate for real property located in Arlington is set by the Arlington County Tax Board. According to the Arlington County website, the 2012 general tax rate for multi-use properties is $.0958/$100 of general assessed value. **Table 3.42** shows the 2012 tax amount for 1200 North Irving Street.

Tax Rate	X Assessment	= Tax
$0.958/100 or .00958	$ 13,721,700.00	$131,453.88

Table 3.42 1200 North Irving Tax on Land Value

Hard Costs

John Bornholdt of AvalonBay Communities, Inc was consulted for the conceptual estimate of the proposed development. Site work costs were estimated to be approximately $3.00 per square for general site work. It should be noted that the majority of the site was demolished back in 2005 and only minor site work is needed. The cost for the parking includes a below grade parking structure offering two floors of 207 parking spaces with a cost of $25,838 per space or $52.12 per square foot.

The construction cost for the building is estimated at $115.12 per square foot. Mr.Bornholdt recommends the structure to be constructed of stick build wood framing above one level of podium. Stick build is substantially less expensive due to structural requirements and fire/safety guidelines and life cycle costs. Buildings above four levels of stick build require a concrete or hybrid structural system that costs $3.00 to $5.00 more per square foot than stick build. Mr.Bornholdt also advised that the construction of this building would be cheaper if the shape of the building was a typical square or rectangle shape rather than the “L” shape that it currently is designed as. Unfortunately, the natural shape of the site does not allow for the less costly square shape. Mr.Bornholdt recommended a hard cost contingency of 5% for apartments to cover unforeseen changes in construction prices and design modifications. **Table 3.43** summarizes the hard costs included in the proposed development.

Hard Costs	Cost	Cost/Unit	Cost/GSF
Sitework	$3.00	$3,354	$489,756
Parking Structure	$52.12	$36,633	$5,348,346
Building	$115.12	$128,723	$18,793,570
5% Contingency	$7.54	$ 8,436	$1,231,584
Total	**$178.00**	**$177,146**	**$25,863,256**

Table 3.43 Hard Cost Summary

Reference Appendix B – Construction Budget

Soft Costs

The soft costs cover construction expenses that do not include the typical “bricks and mortar” line items. Soft costs include expenses associated with marketing, legal, engineering, permits and fees, insurance, utility connection fees, taxes, architectural fees, organizational overhead, closing costs and environmental. A 5% soft cost contingency fee has also been added to cover unforeseen expenses and emergencies and a general contractor fee (development fee) of 4%. **Table 3.44** summarizes the soft costs included in the proposed development.

Soft Costs		
General Conditions		$1,470,000
Impact Fees		$400,000
General Liability		$115,873
Builder's Risk Insurance		$28,169
Gross Receipts Tax		$42,573
Site Utilities/Connection Fees		$150,000
Marketing / Sales Office		$150,000
Legal		$180,000
Architectural		$200,000
Engineering		$150,000
Permits & Fees		$165,000
Affordable Housing Investment Fund		$555,351
Closing Costs		$100,000
Insurance		$150,000
Organization Overhead		$180,000
Real Estate Taxes		$131,453
Subtotal Soft Costs		$2,698,419
Development Fee	4.00%	$1,034,530
Soft Cost Contingency	5.00%	$134,921
Total Soft Costs	**14.96%**	**$3,867,870**

Table 3.44 Total Soft Costs

Equity terms

The equity requirement was calculated by rolling up the development costs and interest costs from the construction loan and multiplying it by the loan-to-cost ratio of 75%. The remaining 25% is the total equity requirement, which is shown in **table 3.45.**

Development Costs + Interest	X Loan-to-cost ratio 75%	= Equity Requirement
$47,526,528	(1-.75)	= $11,881,632

Table 3.45 Equity Requirement

Equity Partnership Agreement

1200 North Irving Development has entered into a joint venture with a non-managing equity partner who has agreed to fund 90% of the equity requirement while 1200 North Irving Development LLC will fund the remaining 10%.

The equity contribution by each partner is shown in **table 3.46**.

Joint Venture	Percentage funded	Equity Required	Reversion Payout
Non-Managing Equity Partner	90%	$10,693,469	75%
1200 North Irving Development	10%	$1,188,163	25%
Total	**100%**	**$11,881,632**	**100%**

Table 3.46 Joint Venture Equity Contribution

The distribution agreement of cash flows for the life of the investment is shown in **table 3.47.**

	1st Distribution	2nd Distribution	Reversion
Non-Managing Partner	**8% Preferred return**	**90%**	**75%**
Managing Partner	**0%**	**10%**	**25%**

Table 3.47 Joint Venture Distribution of Cash Flows

Construction Financing

1200 North Irving LLC consulted Jon Mullen at Phillips Reality Capital for the apartment construction loan terms. Mr. Mullen recommends that we use a regional bank such as BB&T for a construction loan of this amount as construction/permanent lenders are not an option for a loan of this size. However, Mr. Mullen did mention that life insurance companies or pension funds could be a viable option for a construction loan but usually regional banks are more favorable because they provide the most competitive terms. The terms for the construction loan from a regional bank are as follows:

- LTC: 75%
- Term: 24 months
- Rate: floating at labor (+/- 250 bps)
- Amortization: 30 years

Mr. Mullen also mentioned that the banks will require a personal recourse on the construction loan due to the absence of cash flows during construction. As the construction nears completion and lease up begins, the recourse terms will be reduced and eventually eliminated. The entire term of the construction loan is interest only.

Reference Appendix A – Assumptions

Permanent Financing

Once the construction is complete and stabilization is reached, a permanent loan can be closed. Mr. Mullen mentioned that a permanent loan of this size is typically offered by life insurance companies, pension funds, Freddie Mac and FNMA or regional banks. The permanent financing will be nonrecourse and will be taken out as soon as the development qualifies. The terms of the permanent loan are as follows:

- LTV: 70%
- Term: 10 years
- Interest Rate: 5%
- DCR: 1.25X
- Financing Fee: 1%

- Amortization: 30 years

Reference Appendix A – Assumptions

Market & Vacancy Rate

Based on comparable apartments discussed in the market analysis, an average market rental rate of $2.97 will be used in the financial analysis. The market rates will escalate at a rate of 3% annually. Based on comparable apartments in Arlington and market reports by REIS and Delta Associates, the vacancy rate of 3% is a feasible assumption that will be used in the financial analysis. However, the favorable economy of Arlington coupled with the ideal location of 1200 North Irving should outperform these projections for future years.

Operating Expenses

	Low-rise			Elevator		
Total Number of Properties	**11**			**37**		
Total Number of Units	**1,439**			**8,185**		
Revenue	**$/SF**	**$/Unit**	**% of GPI**	**$/SF**	**$/Unit**	**% of GPI**
Rents -- Apartments	14.76	14,518	97.6	19.58	15,987	95.5
Rents -- Garage/Parking	0.07	91	0.5	0.69	583	3.0
Rents -- Storage/Offices	--	--	--	0.71	495	2.3
Gross Possible Rents	14.76	14,518	97.6	19.90	16,072	97.2
Vacancies/Rent Loss	0.30	512	2.2	0.82	517	4.0
Total Rents Collected	14.63	14,089	95.5	17.81	15,163	93.4
Other Income	0.38	359	2.7	0.65	543	2.8
Gross Possible Income ("GPI")	14.76	15,109	100.0	20.53	16,614	100.0
Total Collections	**14.63**	**14,405**	**97.9**	**18.53**	**15,983**	**96.0**
Expenses						
Management Fee	0.83	859	5.9	0.82	738	4.7
Other Administrative	0.63	745	4.0	1.02	788	4.9
Supplies	0.16	153	1.1	0.14	125	0.7
Heating Fuel -- Common Areas only	0.13	106	0.7	0.42	350	1.7
Common Areas & Apts	0.83	658	3.7	0.96	908	6.0
Electricity -- CA Only	0.17	171	0.9	0.39	267	1.2
Common Areas & Apts	0.40	397	3.1	0.85	631	4.2
Water/Sewer -- Common Areas Only	0.51	475	2.4	0.21	206	0.8
Common Areas & Apts	0.34	342	2.5	0.44	349	2.3
Gas -------- Common Areas Only	1.03	1,756	7.3	0.17	84	0.6
Common Areas & Apts	0.02	21	0.2	0.05	48	0.3
Building Services	0.22	223	1.5	0.39	316	2.0
Other Operating Costs	0.37	245	2.6	0.32	292	1.4
Security	0.01	5	--	0.05	48	0.3
Grounds Maintenance	0.24	237	1.7	0.12	98	0.6
Maintenance & Repairs	0.47	469	4.1	0.92	788	4.6
Painting/Decorating	0.20	199	1.3	0.38	324	2.1
Real Estate Taxes	0.82	815	6.7	1.29	1,063	6.0
Other Tax/Fee/Permit Costs	0.06	52	0.4	0.11	104	0.7
Insurance	0.24	310	1.7	0.32	281	1.8
Recreational/Amenities Costs	0.07	75	0.4	0.08	86	0.4
Other Payroll	0.74	778	6.5	1.45	1,161	7.6
Total Operating Expenses	**6.61**	**5,557**	**40.0**	**8.96**	**8,084**	**46.7**
Net Operating Income	**9.64**	**9,317**	**60.1**	**9.53**	**8,002**	**48.9**

Table 3.48 Expense Comparable Summary

(Source: Delta Associates Q4, 2011)

Table 3.48 shows the expense comparable summary for apartment buildings in the Washington Metro area separated by low-rise garden style and mid/high-rise elevator style. The proposed development is considered mid-rise elevator style and will use the average expense cost per square foot from the 37 elevator style apartments in the pro forma. As seen in **table 4.38,** the utilities for the common areas and dwelling units are included in the 46.7% expense ratio of GPI, which is not the case in the proposed apartment building. In the proposed apartment building, the utilities for the dwelling units will be paid individually by the tenants, which would result in a lower expense ratio closer to 33%. The management fee will be lower than the comparative assumptions in **table 3.48** at 3% but this will be offset by the higher taxes in Arlington. The operating expenses will be escalated at a rate of 3% per year.

Reversion

In order to calculate the value of the property a cash flow analysis was completed with income and expenses escalated at a constant growth of 3% through year 2026. The reversion value after five years of stabilization was calculated by dividing the net operating income after the sixth year by the terminal cap rate of 6%. The reversion value after five-years of stabilization is estimated to be $74,761,214. The reversion value after ten-years of stabilization was calculated by dividing the net operating income in the eleventh year by the terminal cap rate of 6%. The reversion value after ten years of stabilization is estimated to be $86,024,472. Net proceeds were estimated by subtracting the reversion value from the 2% closing cost and the debt repayment. Net proceeds after five years is $26,969,868 and after ten years is $43,122,581.

Reference Appendix A – Mixed Use Cash Flows

IRR and NPV

In order to calculate the IRR and NPV, the five and ten-year cash flows and reversion mentioned in the previous section were used. The development will require an equity requirement of $11,881,632 from the developer. The ten-year unleveraged internal rate of return for the developer is 9.02%, and leveraged internal rate of return is 19.24%. The net present value of +$8,173,608 was estimated using the equity requirement, discount rate of 12%, ten-year cash flow and reversion value. The five-year unleveraged internal rate of return for the developer is 13.10%, and leveraged internal rate of return is 23.19%. The net present value of +$6,562,505 was estimated using the equity requirement, discount rate of 12%, five-year cash flow and reversion value.

Reference Appendix A – Mixed Use Cash Flows

Equity Partnership Returns with Cap Rate Sensitivity

The IRR returns for the joint venture between the Preferred Equity Partner and 1200 North Irving Development vary based on three different terminal cap rates. The three cap rates used were 5.50%, 6.00% and 6.50%. The terminal cap rate used in the pro forma is 50 basis points above the "going in" cap rate at 6.00%, which is recommended by Jon Mullen of Philips Reality Capital. The other two cap rates used are 50 basis points higher and lower than the base rate. As shown in **table 3.49,** the IRR for the preferred equity partner for a 10 year holding period ranges from 19% to 16%.

Preferred Equity Partner Cash Flow, Reversion and IRR			
Cash Flow YR	**5.50%**	**6.00%**	**6.50%**
YR 0	($10,693,469)	($10,693,469)	($10,693,469)
YR 1	$604,538	$604,538	$604,538
YR 2	$703,032	$703,032	$703,032
YR 3	$804,366	$804,366	$804,366
YR 4	$908,623	$908,623	$908,623
YR 5	$1,015,887	$1,015,887	$1,015,887
YR 6	$1,126,246	$1,126,246	$1,126,246
YR 7	$1,239,791	$1,239,791	$1,239,791
YR 8	$1,356,616	$1,356,616	$1,356,616
YR 9	$1,476,815	$1,476,815	$1,476,815
YR 10	$38,170,240	$32,947,765	$28,133,704
IRR	**19%**	**17%**	**16%**

Table 3.49 Preferred Equity Partner Cash Flow, Reversion and IRR

As shown in **table 3.50,** the IRR for 1200 North Irving Development for a 10-year holding period ranges from 30.6% to 27.1%.

1200 North Irving Cash Flow, Reversion and IRR			
Cash Flow YR	5.50%	6.00%	6.50%
YR 0	($1,188,163)	($1,188,163)	($1,188,163)
YR 1	$67,171	$67,171	$67,171
YR 2	$78,115	$78,115	$78,115
YR 3	$89,374	$89,374	$89,374
YR 4	$100,958	$100,958	$100,958
YR 5	$112,876	$112,876	$112,876
YR 6	$125,138	$125,138	$125,138
YR 7	$137,755	$137,755	$137,755
YR 8	$150,735	$150,735	$150,735
YR 9	$164,091	$164,091	$164,091
YR 10	$13,082,276	$11,185,827	$9,581,140
IRR	**30.6%**	**28.8%**	**27.1%**

Table 3.50 1200 North Irving Development IRR, Reversion and Cash Flow

Reference Appendix C – Equity Partnership Returns with Cap Rate Sensitivity

Disposition Strategy

It is recommended that the owner sells the property within five years of stabilization. This strategy will reduce risk and maximize returns on the property. As previously noted in the IRR analysis, the IRR in the shorter term offers a more attractive return than what can be achieved in the longer term of ten years.

Reference Appendix A – Mixed Use Cash Flow

Risks and Challenges

Timing: Timing will be a major challenge for the development team as unforeseen events are tough to predict such as poor weather, entitlement delays, design and construction modifications and contractor delays/errors. Construction costs, project stabilization, returns and risk are all contingent on the developer's ability to deliver the project on time. Financial incentives will be built into the developer's contract to encourage on time or early delivery

Market Risks: While the market in Arlington is currently favorable for apartments, it is difficult to predict events such as 9/11 or the financial crisis of 2008. Both events had a direct impact on the economy and consumer spending which will subsequently impact the real estate market and potential cash flows.

Another part of market risk is new competition that can alter risk and return. Several new apartments will be delivered to the Arlington area in 2012 and 2013, which poses the risk of losing potential tenants and being forced to lower market rents and increase concessions.

***Interest Rate Risks**:* Mortgage interest rates are extremely low in the lending market and, coupled with the favorable economy, it is no surprise that lenders are looking to enter the DC metro real estate market, which is good news for developers. Interest rates for construction loans will remain favorable in the short term; however, it is difficult to predict interest rate trends 3 years from now and there is always a risk of interest rates rising before the permanent loan is closed.

Finance Risk: As of today, apartments are the desirable class for construction and permanent financing. However, if another financial crisis occurs similar to 2008, the lending market can easily turn hostile and cause the loan-to-value ratio to compress which reduces the amount of debt available and increases the equity requirement. If additional equity is required it may be difficult to find new investors and the deal may no longer be feasible.

Construction Cost Risk: The cost of construction represents the majority of initial expenses that will be endured by the developer. Increases in construction costs will have a substantial impact on the returns from the development. An increase in construction cost should be expected due to recent spikes in the cost for oil. Construction costs are correlated with oil prices, oil is the main source of energy used to produce and transport cement, brick, steel and other materials used in the construction of the building.

Conclusion

The conclusion is that 1200 North Irving LLC will be developed as a mixed-use building featuring apartment dwelling units and street-level retail bays. Based on the evidence in this paper, a mixed-use building with apartments and street-level retail is the highest and best use for the subject site located in Arlington, VA. Factors that are vital to the success of the project are hard and soft costs, market demand/supply, financial markets and county/local support. The success of this development is contingent on these factors and if they were to change the project would need to be reevaluated.

The timing of the development is ideal for Arlington as the market is currently yielding some of the highest returns for both retail and apartments in the entire county. The proposed development will contribute to the revitalization of Clarendon and will surely compliment the vision that is outlined in the Clarendon Sector Plan.

Bibliography

1. Arlington County Planning Commission (2006). Clarendon Sector Plan.
2. Arlington County, Virginia. (December 2009). *Arlington County Zoning Ordinance.*
3. Arlington Profile 2011. (2012). Retrieved from www.arlingtonva.us.
4. Arlington County Planning Commission (2011). Arlington County Comprehensive Plan: 2011 Arlington, Virginia General Land Use Plan.
5. ARA National Land Services Group. (2012). *Northern Virginia Land Sale Comparables.*
6. Bornholdt, J. (March 3, 2012). Personal communication.
7. Bornholdt, J. (March 25, 2012). Personal communication.
8. CBRE. (2012). *Office Outlook-Washington DC: 4th Qtr 2011*. Retrieved from www.cbre.com.
9. CBRE. (2011). Washington Metropolitan Retail Rent Comparables. Retrieved from www.cbre.com.
10. CBRE. (2012). *12 Trends for 2012*. Retrieved from www.cbre.com.
11. Census Highlights 2010: Arlington County, Va. (2010). Retrieved from www.arlingtonva.us.
12. CoStar. (2012). *The CoStar Office Report Year End Report 2011, Washington, D.C. Office Market.* Retrieved from http://www.costar.com.
13. CoStar. (2012). *The CoStar Retail Report Year End Report 2011, Washington, D.C. Retail Market.* Retrieved from http://www.costar.com.
14. Colliers International. (2011*). Skanska Retail Report: 1776 Wilson Boulevard.* Retrieved from www.colliers.com.
15. Delta Associates. (2010). 2010 *Washington/Baltimore Condominium Market Report.*Retrieved from www.deltaassociates.com.
16. Delta Associates. (2012). *2011 Year End Northern Virginia Key Market Indicators: Class A Apartmens.* Retrieved from www.deltaassociates.com.
17. Delta Associates. (2010). 2010 *Mid-Atlantic Class A Apartment Market Report.* Retrieved from www.deltaassociates.com.
18. Google Maps. (2012). Retrieved from www.googlemaps.com.
19. Grubb & Ellis. (2012). *Office Trends Report – Fourth Quarter 2011: Washington DC Metro*. Retrieved from www.grubb-ellis.com.
20. McWilliams Ballard. (2012). *2011 Year-End Washington Metro Area Condominium Market Overview*. Retrieved from www.mcwilliamsballard.com.
    Miller, T. (April 3, 2012). Personal communication.
21. Mullen, J. (March 29, 2012). Personal communication.
22. Real Estate Business Intelligence. (2012). *Northern Virginian Condominium Report: February 2012.*
23. REIS. (April 2011). Apartment Subtrend Futures – *Bethesda/Chevy Chase Submarket.*
24. REIS. (January 2012). *REIS Observer – Northern Virginia Apartment Market.* Retrieved from www.reis.com.
25. REIS. (2011). *4th Qtr 2011: Rosslyn/Ballston Submarket Trend and Forecast*. Retrieved from www.reis.com.
26. REIS. (2011). *4th Qtr 2011: MetroTrend Futures.* Retrieved from www.reis.com.

27. REIS. (2012). *4th Qtr 2011: Retail Asset Advisor: Submarket: Arlington*. Retrieved from www.reis.com.

Appendix A Assumptions

1200 North Irving Street

Muti-family/Retail-Office	
Lot Size (sf)	51,902
Buildable Lot Size	36,850
FAR	3.15
GFA	163,491
Coverage	71.0%
Net Buildable Area	163,252
Multi-Family	148,252
Multi-Family Common Area	20,168
Average Unit Size	877
Est. # of Units	146
Floor Plates	22,000
Retail	15,000
Retail Space excluded from parking	5,000
Number of Stories	5
Average Floor Plate	32,650
Building Efficiency	88%

Parking		
Retail	1 space per	250
ParkingNeeded		40
Residential Per Unit		1
Parking Needed		146
SF/Parking Space		375
Cost/Parking Space		$29,607
Guest Room Per Unit		###############
Guest Room Parking Needed	30	21
Total Parking Required		207

Other Income			
Type	#/Units	$/Month	Annual
Parking - Residential	167	$100	$200,400
Parking - Retail	40	$0	$0
Misc.	146	$40	$70,080
Total Other Income			$270,480

Growth Assumptions	
Rental Growth	3%
Other Inome Growth	3%
Expense Growth	3%

Controllable Expenses	% of EGI
Payroll	4.00%
General and Administrative	2.00%
Traffic Demand Management Fee	0.82%
Marketing	3.00%
Utilities (Common Area)	3.29%
Repairs and Maintenance	2.00%
Contract Services and Other	1.78%
Turnover	1.12%
Other taxes & Fees	0.72%
Total Controllable OpEx	18.73%
Fixed Expenses	**% of EGI**
Insurance	2.00%
Real Estate Taxes	10.00%
Management Fees	2.00%
Total Fixed OpEx	14.00%
Total OpEx	32.73%

Financing		
Construction Loan		
Loan Amount		$32,589,619
Investor Equity		$11,881,632
90 Day LIBOR as of:	4/16/2012	0.47%
Basis Points Over LIBOR		3.00%
Interest Rate		5.00%
Interest Only		$1,629,481
Monthly IO Payment		$135,790
Yield on Cost		7.04%
Permanent Loan		
Stabalized NOI		$3,899,485
Capatilization Rate		5.5%
Capatilization Value		$70,899,732
Loan to Value		70%
Loan Amount		$49,629,812
10 Year Treasury	4/16/2012	1.96%
Basis Points Over 10 Year		3.00%
Interest Rate		4.96%
Amortization Period		30
Loan to Cost		75%
Investor Equity		25%
Monthly Payment		$265,212
Annual Payment		$3,182,539
Financing Fees	1%	$496,298

Investment Structure		
Partnership Structure	**Owner**	**Partner**
Share of Equity	10.00%	90.00%
Equity $	$1,188,163	$10,693,469
Preferred Return	8%	8%
Residual	25%	75%

Residual Value Calculation	
Terminal Cap Rate	6.00%
Cost of Sale	3%
Discount Rate	12%

Appendix A Construction Loan Draw Schedule

Constuction Loan Draw Schedule								
Month	Land	Hard Costs	Soft Costs	Int. Exp	Total	Yr End Dev. Costs	Yr End Int. Costs	Total Yr End Costs
Jul-13	$13,721,700	$1,436,848	$128,929	$135,790	$15,423,267			
Aug-13	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Sep-13	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Oct-13	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Nov-13	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Dec-13	$0	$1,436,848	$128,929	$135,790	$1,701,567	$23,116,359	$814,740	$23,931,100
Jan-14	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Feb-14	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Mar-14	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Apr-14	$0	$1,436,848	$128,929	$135,790	$1,701,567			
May-14	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Jun-14	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Jul-14	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Aug-14	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Sep-14	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Oct-14	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Nov-14	$0	$1,436,848	$128,929	$135,790	$1,701,567			
Dec-14	$0	$1,436,848	$128,929	$135,790	$1,701,567	$18,015,745	$1,629,481	$19,645,226
Jan-15	$0	$0	$128,929	$135,790	$264,719			
Feb-15	$0	$0	$128,929	$135,790	$264,719			
Mar-15	$0	$0	$128,929	$135,790	$264,719			
Apr-15	$0	$0	$128,929	$135,790	$264,719			
May-15	$0	$0	$128,929	$135,790	$264,719			
Jun-15	$0	$0	$128,929	$135,790	$264,719			
Jul-15	$0	$0	$128,929	$135,790	$264,719			
Aug-15	$0	$0	$128,929	$135,790	$264,719			
Sep-15	$0	$0	$128,929	$135,790	$264,719			
Oct-15	$0	$0	$128,929	$135,790	$264,719			
Nov-15	$0	$0	$128,929	$135,790	$264,719			
Dec-15	$0	$0	$128,929	$135,790	$264,719	$1,547,148	$1,629,481	$3,176,629
Total	$13,721,700	$25,863,256	$3,867,870	$4,073,702	$47,526,528	$43,452,826	$4,073,702	$47,526,528

Appendix A Permanent Loan Amortizati

Loan Principal	$49,629,812
Interest Rate	4.96%
Amort Period	30
Monthly Payment	$265,212
Annual Payment	$3,182,539

	2016	2017	2018	2019
Beginning Balance	$49,629,812	$48,892,295	$48,117,354	$47,303,090
Interest	$2,445,022	$2,407,598	$2,368,275	$2,326,957
Principal	$737,517	$774,941	$814,264	$855,583
Ending Balance	$48,892,295	$48,117,354	$47,303,090	$46,447,507

Amortization Chart - Permanent Loan

	Month	Balance	Interest	Principle	Ending Balance
Jan-16	M1	$49,629,812	$205,137	$60,075	$49,569,737
	M2	$49,569,737	$204,888	$60,323	$49,509,414
	M3	$49,509,414	$204,639	$60,573	$49,448,841
	M4	$49,448,841	$204,389	$60,823	$49,388,018
	M5	$49,388,018	$204,137	$61,074	$49,326,944
	M6	$49,326,944	$203,885	$61,327	$49,265,617
	M7	$49,265,617	$203,631	$61,580	$49,204,036
	M8	$49,204,036	$203,377	$61,835	$49,142,201
	M9	$49,142,201	$203,121	$62,091	$49,080,111
	M10	$49,080,111	$202,864	$62,347	$49,017,764
	M11	$49,017,764	$202,607	$62,605	$48,955,159
	M12	$48,955,159	$202,348	$62,864	$48,892,295
Jan-17	M13	$48,892,295	$202,088	$63,123	$48,829,172
	M14	$48,829,172	$201,827	$63,384	$48,765,787
	M15	$48,765,787	$201,565	$63,646	$48,702,141
	M16	$48,702,141	$201,302	$63,909	$48,638,232
	M17	$48,638,232	$201,038	$64,174	$48,574,058
	M18	$48,574,058	$200,773	$64,439	$48,509,619
	M19	$48,509,619	$200,506	$64,705	$48,444,914
	M20	$48,444,914	$200,239	$64,973	$48,379,941
	M21	$48,379,941	$199,970	$65,241	$48,314,700
	M22	$48,314,700	$199,701	$65,511	$48,249,189
	M23	$48,249,189	$199,430	$65,782	$48,183,408
	M24	$48,183,408	$199,158	$66,054	$48,117,354
Jan-18	M25	$48,117,354	$198,885	$66,327	$48,051,028
	M26	$48,051,028	$198,611	$66,601	$47,984,427
	M27	$47,984,427	$198,336	$66,876	$47,917,551
	M28	$47,917,551	$198,059	$67,152	$47,850,398
	M29	$47,850,398	$197,782	$67,430	$47,782,968
	M30	$47,782,968	$197,503	$67,709	$47,715,260
	M31	$47,715,260	$197,223	$67,989	$47,647,271
	M32	$47,647,271	$196,942	$68,270	$47,579,002
	M33	$47,579,002	$196,660	$68,552	$47,510,450
	M34	$47,510,450	$196,377	$68,835	$47,441,615

	M35	$47,441,615	$196,092	$69,120	$47,372,495
	M36	$47,372,495	$195,806	$69,405	$47,303,090
Jan-19	M37	$47,303,090	$195,519	$69,692	$47,233,398
	M38	$47,233,398	$195,231	$69,980	$47,163,417
	M39	$47,163,417	$194,942	$70,269	$47,093,148
	M40	$47,093,148	$194,652	$70,560	$47,022,588
	M41	$47,022,588	$194,360	$70,852	$46,951,736
	M42	$46,951,736	$194,067	$71,144	$46,880,592
	M43	$46,880,592	$193,773	$71,439	$46,809,154
	M44	$46,809,154	$193,478	$71,734	$46,737,420
	M45	$46,737,420	$193,181	$72,030	$46,665,389
	M46	$46,665,389	$192,884	$72,328	$46,593,061
	M47	$46,593,061	$192,585	$72,627	$46,520,434
	M48	$46,520,434	$192,284	$72,927	$46,447,507
Jan-20	M49	$46,447,507	$191,983	$73,229	$46,374,279
	M50	$46,374,279	$191,680	$73,531	$46,300,747
	M51	$46,300,747	$191,376	$73,835	$46,226,912
	M52	$46,226,912	$191,071	$74,140	$46,152,772
	M53	$46,152,772	$190,765	$74,447	$46,078,325
	M54	$46,078,325	$190,457	$74,755	$46,003,570
	M55	$46,003,570	$190,148	$75,064	$45,928,507
	M56	$45,928,507	$189,838	$75,374	$45,853,133
	M57	$45,853,133	$189,526	$75,685	$45,777,448
	M58	$45,777,448	$189,213	$75,998	$45,701,450
	M59	$45,701,450	$188,899	$76,312	$45,625,137
	M60	$45,625,137	$188,584	$76,628	$45,548,510
Jan-21	M61	$45,548,510	$188,267	$76,944	$45,471,565
	M62	$45,471,565	$187,949	$77,262	$45,394,303
	M63	$45,394,303	$187,630	$77,582	$45,316,721
	M64	$45,316,721	$187,309	$77,903	$45,238,818
	M65	$45,238,818	$186,987	$78,225	$45,160,594
	M66	$45,160,594	$186,664	$78,548	$45,082,046
	M67	$45,082,046	$186,339	$78,872	$45,003,174
	M68	$45,003,174	$186,013	$79,199	$44,923,975
	M69	$44,923,975	$185,686	$79,526	$44,844,449
	M70	$44,844,449	$185,357	$79,855	$44,764,595
	M71	$44,764,595	$185,027	$80,185	$44,684,410
	M72	$44,684,410	$184,696	$80,516	$44,603,894
Jan-22	M73	$44,603,894	$184,363	$80,849	$44,523,045
	M74	$44,523,045	$184,029	$81,183	$44,441,862
	M75	$44,441,862	$183,693	$81,519	$44,360,343
	M76	$44,360,343	$183,356	$81,856	$44,278,488
	M77	$44,278,488	$183,018	$82,194	$44,196,294
	M78	$44,196,294	$182,678	$82,534	$44,113,760
	M79	$44,113,760	$182,337	$82,875	$44,030,886
	M80	$44,030,886	$181,994	$83,217	$43,947,668
	M81	$43,947,668	$181,650	$83,561	$43,864,107
	M82	$43,864,107	$181,305	$83,907	$43,780,200
	M83	$43,780,200	$180,958	$84,253	$43,695,947
	M84	$43,695,947	$180,610	$84,602	$43,611,345

Jan-23	M85	$43,611,345	$180,260	$84,951	$43,526,394
	M86	$43,526,394	$179,909	$85,303	$43,441,091
	M87	$43,441,091	$179,557	$85,655	$43,355,436
	M88	$43,355,436	$179,202	$86,009	$43,269,427
	M89	$43,269,427	$178,847	$86,365	$43,183,062
	M90	$43,183,062	$178,490	$86,722	$43,096,341
	M91	$43,096,341	$178,132	$87,080	$43,009,261
	M92	$43,009,261	$177,772	$87,440	$42,921,821
	M93	$42,921,821	$177,410	$87,801	$42,834,019
	M94	$42,834,019	$177,047	$88,164	$42,745,855
	M95	$42,745,855	$176,683	$88,529	$42,657,326
	M96	$42,657,326	$176,317	$88,895	$42,568,432
Jan-24	M97	$42,568,432	$175,950	$89,262	$42,479,169
	M98	$42,479,169	$175,581	$89,631	$42,389,538
	M99	$42,389,538	$175,210	$90,002	$42,299,537
	M100	$42,299,537	$174,838	$90,374	$42,209,163
	M101	$42,209,163	$174,465	$90,747	$42,118,416
	M102	$42,118,416	$174,089	$91,122	$42,027,294
	M103	$42,027,294	$173,713	$91,499	$41,935,795
	M104	$41,935,795	$173,335	$91,877	$41,843,918
	M105	$41,843,918	$172,955	$92,257	$41,751,662
	M106	$41,751,662	$172,574	$92,638	$41,659,023
	M107	$41,659,023	$172,191	$93,021	$41,566,002
	M108	$41,566,002	$171,806	$93,405	$41,472,597
Jan-25	M109	$41,472,597	$171,420	$93,792	$41,378,805
	M110	$41,378,805	$171,032	$94,179	$41,284,626
	M111	$41,284,626	$170,643	$94,568	$41,190,058
	M112	$41,190,058	$170,252	$94,959	$41,095,098
	M113	$41,095,098	$169,860	$95,352	$40,999,746
	M114	$40,999,746	$169,466	$95,746	$40,904,000
	M115	$40,904,000	$169,070	$96,142	$40,807,859
	M116	$40,807,859	$168,672	$96,539	$40,711,320
	M117	$40,711,320	$168,273	$96,938	$40,614,381
	M118	$40,614,381	$167,873	$97,339	$40,517,043
	M119	$40,517,043	$167,470	$97,741	$40,419,301
	M120	$40,419,301	$167,066	$98,145	$40,321,156

on

2020	2021	2022	2023	2024	2025
$46,447,507	$45,548,510	$44,603,894	$43,611,345	$42,568,432	$41,472,597
$2,283,542	$2,237,924	$2,189,991	$2,139,626	$2,086,705	$2,031,099
$898,998	$944,616	$992,549	$1,042,914	$1,095,835	$1,151,441
$45,548,510	$44,603,894	$43,611,345	$42,568,432	$41,472,597	$40,321,156

Appendix A Mixed Use Cash Flow

1200 North Irving

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Projected Market Rents (Per Unit)	$2,621	$2,673	$2,726	$2,781	$2,864	$2,950	$3,039	$3,130	$3,224	$3,321	$3,420	$3,523	$3,629	$3,737	$3,850
Market Rent $ (Per SF)	$0.00	$0.00	$1.72	$3.13	$3.22	$3.31	$3.40	$3.50	$3.60	$3.71	$3.81	$3.92	$4.04	$4.15	$4.27
Rent Growth Rate	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Whole $ Growth	-	$52	$53	$55	$83	$86	$89	$91	$94	$97	$100	$103	$106	$109	$112

	Approvals 2012	Construction 2013	Construction/Lease Up 2014	Lease Up 2015	Stabalized 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Gross Income															
Gross Residential Income			$2,388,391	$4,872,318	$5,018,488	$5,169,042	$5,324,113	$5,483,837	$5,648,352	$5,817,802	$5,992,337	$6,172,107	$6,357,270	$6,547,988	$6,744,428
Gross Retail Income			$675,000	$688,500	$702,270	$716,315	$730,642	$745,255	$760,160	$775,363	$790,870	$806,687	$822,821	$839,278	$856,063
Total Gross Income			$3,063,391	$5,560,818	$5,720,758	$5,885,358	$6,054,755	$6,229,091	$6,408,512	$6,593,165	$6,783,207	$6,978,794	$7,180,091	$7,387,266	$7,600,491
Vacancy Loss															
Residential Vacancy Loss			$1,194,196	$1,218,079	$150,555	$155,071	$159,723	$164,515	$169,451	$174,534	$179,770	$185,163	$190,718	$196,440	$202,333
Retail Vacancy Loss			$159,750	$124,065	$30,955	$31,603	$32,265	$32,940	$33,630	$34,335	$35,055	$35,790	$36,541	$37,309	$38,092
Total Vacancy Loss			$1,353,946	$1,342,145	$181,510	$186,674	$191,988	$197,455	$203,081	$208,869	$214,825	$220,954	$227,260	$233,748	$240,425
Other Income															
Res. - Parking			$94,668	$270,480	$278,594	$286,952	$295,561	$304,428	$313,560	$322,967	$332,656	$342,636	$352,915	$363,503	$374,408
Retail - Reimbursements			$90,000	$92,700	$95,481	$98,345	$101,296	$104,335	$107,465	$110,689	$114,009	$117,430	$120,952	$124,581	$128,318
Total Other Income			$184,668	$363,180	$374,075	$385,298	$396,857	$408,762	$421,025	$433,656	$446,666	$460,066	$473,868	$488,084	$502,726
Effective Gross Income			$1,894,113	$4,581,853	$5,913,323	$6,083,981	$6,259,624	$6,440,398	$6,626,456	$6,817,952	$7,015,047	$7,217,906	$7,426,699	$7,641,601	$7,862,792
Operating Expenses															
Residential			$435,124	$1,417,098	$1,887,853	$1,944,488	$2,002,823	$2,062,908	$2,124,795	$2,188,539	$2,254,195	$2,321,821	$2,391,476	$2,463,220	$2,537,116
Retail			$115,657	$119,914	$125,985	$129,337	$132,786	$136,334	$139,985	$143,740	$147,604	$151,579	$155,669	$159,878	$164,207
Total OpEx			$550,782	$1,537,012	$2,013,838	$2,073,826	$2,135,609	$2,199,242	$2,264,780	$2,332,279	$2,401,799	$2,473,400	$2,547,145	$2,623,097	$2,701,324
Net Operating Income			$1,343,332	$3,044,841	$3,899,485	$4,010,155	$4,124,015	$4,241,156	$4,361,676	$4,485,673	$4,613,248	$4,744,506	$4,879,554	$5,018,504	$5,161,468
Cap Ex Reserves															
Residential 1.00%			$13,433	$30,448	$38,995	$40,102	$41,240	$42,412	$43,617	$44,857	$46,132	$47,445	$48,796	$50,185	
Retail			$2,250	$2,295	$2,341	$2,388	$2,435	$2,484	$2,534	$2,585	$2,636	$2,689	$2,743	$2,798	
Retail - Replacement Res.			$3,750	$3,825	$3,902	$3,980	$4,059	$4,140	$4,223	$4,308	$4,394	$4,482	$4,571	$4,663	
Total Reserves			$19,433	$36,568	$45,237	$46,469	$47,735	$49,036	$50,374	$51,749	$53,162	$54,616	$56,110	$57,645	
Retail TI's and LC's			$0	$0	$0	$0	($148,412)	$0	$0	$0	$0	$0	($403,041)	$0	
Acquisition/Residual															
Purchase Price		($13,721,700)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Development Costs		($9,394,659)	($18,015,745)	($1,547,148)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Cash Flow Before Debt		($23,116,359)	($18,015,745)	$1,461,125	$3,854,248	$3,963,686	$4,076,280	$4,192,120	$4,311,302	$4,433,924	$4,560,085	$4,689,890	$4,823,445	$4,960,858	
Debt Financing															
Loan Draws/(Paydown)		$23,931,100	$19,645,226	$3,176,629		$0	$0	$0	$0	$0	$0	$0	$0	$0	
Construction Loan Interest		($814,740)	($1,629,481)	($1,629,481)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Permanent Loan Debt		$0	$0		($3,182,539)	($3,182,539)	($3,182,539)	($3,182,539)	($3,182,539)	($3,182,539)	($3,182,539)	($3,182,539)	($3,182,539)	($3,182,539)	
Loan Fees/Closing Costs		$0		($496,298)		$0	$0	$0	$0	$0	$0	$0	$0	$0	
CFBT		$0	$0	$2,511,975	$671,709	$781,147	$893,740	$1,009,581	$1,128,763	$1,251,385	$1,377,546	$1,507,351	$1,640,905	$1,778,319	
Debt Coverage Ratio					1.23	1.26	1.30	1.33	1.37	1.41	1.45	1.49	1.53	1.58	
Cash on Cash				21.14%	5.65%	6.57%	7.52%	8.50%	9.50%	10.53%	11.59%	12.69%	13.81%	14.97%	

Residual Value	$ 74,761,214.61	$86,024,472
Debt Repayment	$ 45,548,509.64	$40,321,156
Sales Costs	$ 2,242,836.44	$2,580,734
Net Proceeds	$ 26,969,868.53	$43,122,581

10 year	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Unleveraged IRR	($43,452,826)	$671,709	$781,147	$893,740	$1,009,581	$1,128,763	$1,251,385	$1,377,546	$1,507,351	$1,640,905	$87,802,791
	9.02%										
Leveraged IRR	($11,881,632)	$671,709	$781,147	$893,740	$1,009,581	$1,128,763	$1,251,385	$1,377,546	$1,507,351	$1,640,905	$44,900,900
	19.24%										
NPV	**$8,173,608**										

5 year	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Unleveraged IRR	($43,452,826)	$671,709	$781,147	$893,740	$1,009,581	$75,889,978
	13.10%					
Leveraged IRR	($11,881,632)	$671,709	$781,147	$893,740	$1,009,581	$28,098,632
	23.19%					
NPV	**$6,562,505**					

Appendix A Residential Cash Flows

1200 North Irving

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Projected Market Rents (Per Unit)	$2,621	$2,673	$2,726	$2,781	$2,864	$2,950	$3,039	$3,130	$3,224	$3,321	$3,420	$3,523	$3,629	$3,737	$3,850
Market Rent $ (Per SF)	$0.00	$0.00	$0.67	$2.05	$2.74	$2.82	$2.90	$2.99	$3.08	$3.17	$3.27	$3.37	$3.47	$3.57	$3.68
Rent Growth Rate	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Whole $ Growth	-	$52	$53	$55	$83	$86	$89	$91	$94	$97	$100	$103	$106	$109	$112

	Approvals 2012	Construction 2013	Construction/Lease Up 2014	Lease Up 2015	Stabalized 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Gross Income														\	
Rental Income			$2,388,391	$4,872,318	$5,018,488	$5,169,042	$5,324,113	$5,483,837	$5,648,352	$5,817,802	$5,992,337	$6,172,107	$6,357,270	$6,547,988	$6,744,428
Vacancy %			50%	25%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Vacancy $			$1,194,196	$1,218,079	$150,555	$155,071	$159,723	$164,515	$169,451	$174,534	$179,770	$185,163	$190,718	$196,440	$202,333
Net Rental Income			$1,194,196	$3,654,238	$4,867,933	$5,013,971	$5,164,390	$5,319,322	$5,478,901	$5,643,268	$5,812,566	$5,986,943	$6,166,552	$6,351,548	$6,542,095
Other Income			$135,240	$202,860	$270,480	$278,594	$286,952	$295,561	$304,428	$313,560	$322,967	$332,656	$342,636	$352,915	$363,503
Effective Gross Income			$1,329,436	$3,857,098	$5,138,413	$5,292,565	$5,451,342	$5,614,883	$5,783,329	$5,956,829	$6,135,534	$6,319,600	$6,509,188	$6,704,463	$6,905,597
Controllable Expenses															
Payroll			$53,177	$154,284	$205,537	$211,703	$218,054	$224,595	$231,333	$238,273	$245,421	$252,784	$260,368	$268,179	$276,224
General and Administrative			$26,589	$77,142	$102,768	$105,851	$109,027	$112,298	$115,667	$119,137	$122,711	$126,392	$130,184	$134,089	$138,112
Traffic Demand Management Fee			$10,901	$31,628	$42,135	$43,399	$44,701	$46,042	$47,423	$48,846	$50,311	$51,821	$53,375	$54,977	$56,626
Marketing			$39,883	$115,713	$154,152	$158,777	$163,540	$168,446	$173,500	$178,705	$184,066	$189,588	$195,276	$201,134	$207,168
Utilities (Common Area)			$43,738	$126,899	$169,054	$174,125	$179,349	$184,730	$190,272	$195,980	$201,859	$207,915	$214,152	$220,577	$227,194
Repairs and Maintenance			$26,589	$77,142	$102,768	$105,851	$109,027	$112,298	$115,667	$119,137	$122,711	$126,392	$130,184	$134,089	$138,112
Contract Services and Other			$23,664	$68,656	$91,464	$94,208	$97,034	$99,945	$102,943	$106,032	$109,213	$112,489	$115,864	$119,339	$122,920
Turnover			$14,890	$43,200	$57,550	$59,277	$61,055	$62,887	$64,773	$66,716	$68,718	$70,780	$72,903	$75,090	$77,343
Other taxes & Fees			$9,572	$27,771	$36,997	$38,106	$39,250	$40,427	$41,640	$42,889	$44,176	$45,501	$46,866	$48,272	$49,720
Total Controllable OpEx			$249,003	$722,435	$962,425	$991,297	$1,021,036	$1,051,667	$1,083,218	$1,115,714	$1,149,185	$1,183,661	$1,219,171	$1,255,746	$1,293,418
Fixed Expenses															
Insurance			$26,589	$77,142	$102,768	$105,851	$109,027	$112,298	$115,667	$119,137	$122,711	$126,392	$130,184	$134,089	$138,112
Real Estate Taxes			$132,944	$385,710	$513,841	$529,257	$545,134	$561,488	$578,333	$595,683	$613,553	$631,960	$650,919	$670,446	$690,560
Management Fees			$26,589	$77,142	$102,768	$105,851	$109,027	$112,298	$115,667	$119,137	$122,711	$126,392	$130,184	$134,089	$138,112
Total Fixed Expenses			$186,121	$694,663	$925,428	$953,191	$981,787	$1,011,240	$1,041,578	$1,072,825	$1,105,010	$1,138,160	$1,172,305	$1,207,474	$1,243,698
Total Operating Expenses			$435,124	$1,417,098	$1,887,853	$1,944,488	$2,002,823	$2,062,908	$2,124,795	$2,188,539	$2,254,195	$2,321,821	$2,391,476	$2,463,220	$2,537,116
Per Unit			*$1,490*	*$2,427*	*$388*	*$400*	*$412*	*$424*	*$437*	*$450*	*$463*	*$477*	*$491*	*$506*	*$521*
OpEx Ratio			*33%*	*37%*	*37%*	*37%*	*37%*	*37%*	*37%*	*37%*	*37%*	*37%*	*37%*	*37%*	*37%*
Net Operating Income			$894,311	$2,440,000	$3,250,560	$3,348,077	$3,448,519	$3,551,975	$3,658,534	$3,768,290	$3,881,339	$3,997,779	$4,117,712	$4,241,244	$4,368,481
Cap Ex Reserves			$8,943	$24,400	$32,506	$33,481	$34,485	$35,520	$36,585	$37,683	$38,813	$39,978	$41,177	$42,412	$43,685
Cummulative Reserve *1.00%*			*$8,943*	*$33,343*	*$56,906*	*$90,386*	*$124,872*	*$160,391*	*$196,977*	*$234,660*	*$273,473*	*$313,451*	*$354,628*	*$397,040*	*$440,725*
Cash Flow Before Debt	$0	$0	$885,368	$2,415,600	$3,218,054	$3,314,596	$3,414,034	$3,516,455	$3,621,949	$3,730,607	$3,842,525	$3,957,801	$4,076,535	$4,198,831	$4,324,796

Appendix A Retail Assumptions

1200 North Irving Street Ground Floor Retail Assumptions

Operating Expenses	
Gross SF	15,000
Parking Ratio/Space	250
Vacancy	5.00%
Credit Loss of EGI	1.00%
Management of EGI	3.00%
Expense Reimbursement / SF	$6.00
Insurance / SF	$0.50
Rental Rate Growth	2.00%
Expense Growth	3.00%

Capital Reserves	
Projected Tenant Retention	75.00%
Leasing Commission - New Tenant	6.00%
Leasing Commission - Existing Tenant	3.00%
Blended LCs	3.75%
Tenant Improvements - Initial shell build out	$50.00
Tenant Improvements - New Tenant	$45.00
Tenant Improvement - Existing Tenant	$15.00
Blended TIs	$22.50
Replacement Reserve / SF	$0.25
CapEx Reserves / SF	$0.15
Tenant Improvement Growth Rate	3.00%

Appendix A Retail Cash Flows

1200 North Irving Retail

	Approvals 2012	Construction 2013	struction/Leas 2014	Lease Up 2015	**Stabalized** 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue															
Rent Roll			$675,000	$688,500	$702,270	$716,315	$730,642	$745,255	$760,160	$775,363	$790,870	$806,687	$822,821	$839,278	$856,063
Reimbursements			$90,000	$92,700	$95,481	$98,345	$101,296	$104,335	$107,465	$110,689	$114,009	$117,430	$120,952	$124,581	$128,318
Potential Gross Income			$765,000	$781,200	$797,751	$814,661	$831,938	$849,589	$867,624	$886,051	$904,879	$924,117	$943,774	$963,859	$984,382
Vacancy %			20.00%	15.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Vacancy $			$153,000	$117,180	$23,933	$24,440	$24,958	$25,488	$26,029	$26,582	$27,146	$27,724	$28,313	$28,916	$29,531
Credit Loss			$6,750	$6,885	$7,023	$7,163	$7,306	$7,453	$7,602	$7,754	$7,909	$8,067	$8,228	$8,393	$8,561
Sub Total			$159,750	$124,065	$30,955	$31,603	$32,265	$32,940	$33,630	$34,335	$35,055	$35,790	$36,541	$37,309	$38,092
EGI			$605,250	$657,135	$766,796	$783,058	$799,673	$816,649	$833,994	$851,716	$869,824	$888,327	$907,232	$926,550	$946,290
Operating Expenses															
Management			$18,157	$19,714	$23,004	$23,492	$23,990	$24,499	$25,020	$25,551	$26,095	$26,650	$27,217	$27,797	$28,389
Operating Expenses			$90,000	$92,700	$95,481	$98,345	$101,296	$104,335	$107,465	$110,689	$114,009	$117,430	$120,952	$124,581	$128,318
Insurance			$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500
Total Op Ex			$115,657	$119,914	$125,985	$129,337	$132,786	$136,334	$139,985	$143,740	$147,604	$151,579	$155,669	$159,878	$164,207
Net Operating Income			$489,592	$537,221	$640,811	$653,721	$666,887	$680,315	$694,009	$707,976	$722,220	$736,747	$751,563	$766,673	$782,082
CapEx Reserves			$2,250	$2,295	$2,341	$2,388	$2,435	$2,484	$2,534	$2,585	$2,636	$2,689	$2,743	$2,798	$2,854
Replacement Reserves			$3,750	$3,825	$3,902	$3,980	$4,059	$4,140	$4,223	$4,308	$4,394	$4,482	$4,571	$4,663	$4,756
Total Reserves			$6,000	$6,120	$6,242	$6,367	$6,495	$6,624	$6,757	$6,892	$7,030	$7,171	$7,314	$7,460	$7,609
TI's			$0	$0	$0	$0	($182,660)	$0	$0	$0	$0	$0	$403,344	$0	$0
LC's			$0	$0	$0	$0	($34,249)	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal			$0	$0	$0	$0	($216,909)	$0	$0	$0	$0	$0	$403,344	$0	$0
Cash Flow Before Debt			$483,592	$531,101	$634,568	$647,353	$443,483	$673,690	$687,252	$701,084	$715,190	$729,577	$340,905	$759,212	$774,473

Appendix A Retail Rent Roll

1200 North Irving Street	Total Square Feet	15,000

Rent Roll	NSF	Lease Type	Rate	Base Total	Lease Term	Annual Esc.	Lease Total w/ Annual Esc.
Tenant 1-TBD	3,750	NNN	$45.00	$168,750	10	2.00%	$1,847,765
Tenant 2-TBD	3,750	NNN	$45.00	$168,750	10	2.00%	$1,847,765
Tenant 3-TBD	3,750	NNN	$45.00	$168,750	5	2.00%	$1,847,765
Tenant 4-TBD	3,750	NNN	$45.00	$168,750	5	2.00%	$1,847,765
Total / Average	15,000		$45.00	$675,000			

Projected Retail Rental Income

Tenant	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Tenant 1-TBD	$168,750	$172,125	$175,568	$179,079	$182,660	$186,314	$190,040	$193,841	$197,718	$201,672	$205,705	$209,819	$214,016
Tenant 2-TBD	$168,750	$172,125	$175,568	$179,079	$182,660	$186,314	$190,040	$193,841	$197,718	$201,672	$205,705	$209,819	$214,016
Tenant 3-TBD	$168,750	$172,125	$175,568	$179,079	$182,660	$186,314	$190,040	$193,841	$197,718	$201,672	$205,705	$209,819	$214,016
Tenant 4-TBD	$168,750	$172,125	$175,568	$179,079	$182,660	$186,314	$190,040	$193,841	$197,718	$201,672	$205,705	$209,819	$214,016
Total	$675,000	$688,500	$702,270	$716,315	$730,642	$745,255	$760,160	$775,363	$790,870	$806,687	$822,821	$839,278	$856,063

Projected Retail Tenant Rollver Schedule

Tenant	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Tenant 1-TBD	0	0	0	0	0	0	0	0	0	0	3,750	0	0
Tenant 2-TBD	0	0	0	0	0	0	0	0	0	0	3,750	0	0
Tenant 3-TBD	0	0	0	0	3,750	0	0	0	0	0	3,750	0	0
Tenant 4-TBD	0	0	0	0	3,750	0	0	0	0	0	3,750	0	0
Total Rollover	0	0	0	0	7,500	0	0	0	0	0	15,000	0	0

Projected Tenant Improvement Schedule

Tenant	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Tenant 1-TBD	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$100,836	$0	$0
Tenant 2-TBD	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$100,836	$0	$0
Tenant 3-TBD	$0	$0	$0	$0	$91,330	$0	$0	$0	$0	$0	$100,836	$0	$0
Tenant 4-TBD	$0	$0	$0	$0	$91,330	$0	$0	$0	$0	$0	$100,836	$0	$0
Total	$0	$0	$0	$0	$182,660	$0	$0	$0	$0	$0	$403,344	$0	$0

Market Rate	$22.50	$22.95	$23.41	$23.88	$24.35	$24.84	$25.34	$25.85	$26.36	$26.89	$27.43	$27.98	$28.54

Projected Leasing Commission Schedule

Tenant	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Tenant 1-TBD	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$76	$0	$0
Tenant 2-TBD	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$76	$0	$0
Tenant 3-TBD	$0	$0	$0	$0	$17,124	$0	$0	$0	$0	$0	$76	$0	$0
Tenant 4-TBD	$0	$0	$0	$0	$17,124	$0	$0	$0	$0	$0	$76	$0	$0
Total	$0	$0	$0	$0	$34,249	$0	$0	$0	$0	$0	$303	$0	$0

Appendix A Residential Unit Breakdown and Rent Matrix

1200 North Irving Apartments Unit Breakdown and Rent Matrix

				Net Square Footage		Monthly Market Rent (2012)		
	Unit Type	*# of Units*	*% of Units*	*Average*	*Total*	*$ / Unit*	*Total $*	*$ / SF*
A	Live/Work	12	8%	1,404	16,848	$3,650	$43,805	$2.60
	(MPDU)	0	0%	0	0	$0	$0	
B	1 Bed/1 Bath	71	49%	707	50,197	$2,192	$155,611	$3.10
	(MPDU)	0	0%	0	0	$0	$0	
C	1 Bed/ 1 Bath + Den	25	17%	908	22,706	$2,770	$69,254	$3.05
	(MPDU)	0	0%	0	0	$0	$0	
D	Studio	8	5%	543	4,346	$1,711	$13,690	$3.15
	(MPDU)	0	0%	0	0	$0	$0	
E	2 Bedroom/ 2 Bath	30	21%	1,133	33,983	$3,342	$100,248	$2.95
	(MPDU)	0	0%	0	0	$0	$0	
	Total/Average	146	100%	877	128,080	$2,621	$382,608	$2.97
	Market Rate	146	100%					
	MPDU Units	0	0%					

Appendix B Hard and Soft Cost Analysis

Hard and Soft Cost Analysis				
Land Cost		Total	$ Per Unit	$ Per Net SF
		$13,721,700	$93,984	$84.05
Hard Costs				
Vertical Construction	Per SQF	$18,793,570	$128,723	$115.12
Parking (Below Grade)	Per SQF	$5,348,346	$25,837	$32.76
Site Work	Per SQF	$489,756	$3,354	$3.00
Subtotal Hard Costs		$24,631,672	$157,915	$151
Hard Cost Contingecy	5%	$1,231,584	$8,436	$7.54
Total Hard Costs		$25,863,256		
Total Hard Costs & Land		**$39,584,956**	**$251,899**	**$235**
Soft Costs				
General Conditions		$1,470,000	$10,068	$9.00
Impact Fees		$400,000	$2,740	$2.45
General Liability		$115,873	$794	$0.71
Builder's Risk Insurance		$28,169	$193	$0.17
Gross Receipts Tax		$42,573	$292	$0.26
Site Utilities/Connection Fees		$150,000	$1,027	$0.92
Marketing / Sales Office		$150,000	$1,027	$0.92
Legal		$180,000	$1,233	$1.10
Architectural		$200,000	$1,370	$1.23
Engineering		$150,000	$1,027	$0.92
Permits & Fees		$165,000	$1,130	$1.01
Affordable Housing Investment Fund		$555,351	$3,804	$3.40
Closing Costs		$100,000	$685	$0.61
Insurance		$150,000	$1,027	$0.92
Organization Overhead		$180,000	$1,233	$1.10
Real Estate Taxes		$131,453	$900	$0.81
Subtotal Soft Costs		$2,698,419	$14,464	$12.94
Development Fee	4.00%	$1,034,530	$7,086	$6.34
Soft Cost Contingency	5.00%	$134,921	$924	$0.91
Total Soft Costs	**14.96%**	**$3,867,870**	**$36,939**	**$33.12**
Total Costs before Debt		$43,452,826	$288,838	$268
Interest		$4,073,702	$27,902	$27.48
Cost of Debt		$4,073,702	$27,902	$27.48
Total Construction Costs		**$47,526,528**	**$325,524**	**$320.58**

Appendix C Joint Venture IRR Sensitivity & Cash Flow

Partnership Breakdown	Equity Contribution		Reversion Payout
Equity Partner	90.00%	$10,693,469	75.00%
1200 North Irving Development	10.00%	$1,188,163	25.00%
Total Equity	100.00%	$11,881,632	100.00%

Property Cash Flow Series

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Projected Return	$671,709	$781,147	$893,740	$1,009,581	$1,128,763	$1,251,385	$1,377,546	$1,507,351	$1,640,905	$1,778,319
Actual Cash Yield	5.65%	6.57%	7.52%	8.50%	9.50%	10.53%	11.59%	12.69%	13.81%	14.97%
8% Preferred Return	$950,531	$950,531	$950,531	$950,531	$950,531	$950,531	$950,531	$950,531	$950,531	$950,531
Variance	($278,822)	($169,384)	($56,790)	$59,050	$178,232	$300,854	$427,015	$556,820	$690,375	$827,788
Unpaid Pref		($448,206)	($504,996)	($445,945)	($267,713)	$33,141	$460,156	$1,016,977	$1,707,351	$2,535,139

1200 North Irving Reversion Computation

Capitalization Rate	5.50%	6.00%	6.50%
Gross Sales Proceeds	$93,844,878	$86,024,472	$79,407,205
Sales Costs	($2,815,346)	($2,580,734)	($2,382,216)
Debt Payoff	($40,321,156)	($40,321,156)	($40,321,156)
Net Sales Proceeds	$50,708,376	$43,122,581	$36,703,832
Return of Capital - Investor I	$10,693,469	$10,693,469	$10,693,469
Return of Capital - Investor II	$1,188,163	$1,188,163	$1,188,163
Unpaid Preferred Return - Investor I	($2,281,625)	($2,281,625)	($2,281,625)
Unpaid Preferred Return - Investor II	($46,016)	($46,016)	($46,016)
Remaining Sales Proceeds	$51,801,838	$44,216,044	$37,797,295
Backend Promote - Investor I	$38,851,378	$33,162,033	$28,347,971
Backend Promote - Investor II	$12,950,459	$11,054,011	$9,449,324

Preferred Equity Partner Cash Flow, Reversion and IRR

Cash Flow YR	5.50%	6.00%	6.50%
YR 0	($10,693,469)	($10,693,469)	($10,693,469)
YR 1	$604,538	$604,538	$604,538
YR 2	$703,032	$703,032	$703,032
YR 3	$804,366	$804,366	$804,366
YR 4	$908,623	$908,623	$908,623
YR 5	$1,015,887	$1,015,887	$1,015,887
YR 6	$1,126,246	$1,126,246	$1,126,246
YR 7	$1,239,791	$1,239,791	$1,239,791
YR 8	$1,356,616	$1,356,616	$1,356,616
YR 9	$1,476,815	$1,476,815	$1,476,815
YR 10	$38,170,240	$32,480,894	$27,666,832
IRR	**19%**	**17%**	**16%**

1200 North Irving Cash Flow, Reversion and IRR

Cash Flow YR	5.50%	6.00%	6.50%
YR 0	($1,188,163)	($1,188,163)	($1,188,163)
YR 1	$67,171	$67,171	$67,171
YR 2	$78,115	$78,115	$78,115
YR 3	$89,374	$89,374	$89,374
YR 4	$100,958	$100,958	$100,958
YR 5	$112,876	$112,876	$112,876
YR 6	$125,138	$125,138	$125,138
YR 7	$137,755	$137,755	$137,755
YR 8	$150,735	$150,735	$150,735
YR 9	$164,091	$164,091	$164,091
YR 10	$13,082,276	$11,185,827	$9,581,140
IRR	**30.6%**	**28.8%**	**27.1%**

Appendix D Residential & Retail Mix, FAR & SF Summary

1200 North Irving Residential & Retail Mix, FAR & SF Summary

Project Type:	Apartments with Retail	
Setbacks calculated based on:		
Front Entrance is on:	North Irving Street	
Rear is on:	Alley face	
	51,902	**SF Site Area**
Bldg Coverage:	**71%**	**Allowable Lot Coverage**
Allowable 1st Floor Cov'g:	**36,850.42**	**SF 1st Floor Max**
Site Area (from above):	**51,902**	**SF Site**
Floor Area Ratio:	**3.15**	**FAR**
Allowable Maximum SF:	**163,491**	**Total SF Max.**
Building Height Allowed w/o penthouse:	**110.00**	Feet Tall
Retail SF Proposed:	**15,000**	**SF**
Building Height Allowed w/penthouse:	**125.00**	**Feet Tall**

BUILDING SUMMARY:					**APPROXIMATE S.F.:**		
Floor	*Setback*	*SF/Floor*	*Remarks (if any):*	*Height to the next floor slab*	*Lobby, Stairs, Corridors, Elevators, Bathrooms, etc @ 12% core factor*	*Retail*	*Space Remaining (for aprtmts or offices)*
1		36,850	xxx	15.00	5,000	15,000	16,850
2		36,850	xxx	10.00	4,422	-	32,428
3	4,475	32,375	xxx	10.00	3,885	-	28,490
4	6,025	30,825	xxx	10.00	3,699	-	27,126
5	10,500	26,350	xxx	10.00	3,162	-	23,188
		163,252		**55.00**	**20,168**	**15,000**	**128,084**
		Total SF		**Total Height**			
PROPOSED F.A.R.							
				3.15			

Floor	**APARTMENT MIX:**											
	Studio or Efficiency	*SF*	*1 BR*	*SF*	*1BR+Den*	*SF*	*Live/Work*	*SF*	*2BR*	*SF*	*Total SF*	*Total Units*
1	-	-	-	-	-	-	12	1,404.00	-	-	**16,848**	12
2	2	543	21	707.00	7	901.00	-	-	9	1,132	**32,428**	39
3	2	545	18	707.00	5	902.00	-	-	9	1,129	**28,487**	34
4	2	542	18	707.00	6	901.00	-	-	7	1,130	**27,126**	33
5	2	543	14	707.00	7	929.00	-	-	5	1,140	**23,187**	28
	8		**71**		**25**		**12**		**30**		**128,076**	**146**
	5%	543	49%	707	17%	908	8%	1,404.00	21%	1,133		
	5%		66%				8%		21%		100%	

Floor	**Parking Spaces**			
	Retail	*Residential 1 bedroom*	*Residential 2 bedroom*	***Total***
1	40	12	0	**52**
2		39	6	**39**
3		34	6	**34**
4		33	5	**33**
5		28	4	**28**
	40	**146**	**21**	**207**

Appendix E Return on Cost Analysis

Apartment Scenerio with 4.5 FAR			
Revenue	SF	Price/SF	Total
Apartment	165,995	$ 3.20	$ 6,374,208
Apartment Vacancy @ 3%			$ (191,226)
Expenses @ 35%			$ (2,230,973)
NOI			$ 3,952,009
Apartment Value (Cap rate @ 5.5%)			$ 71,854,708
Cost of Sale @ 2%			$ (1,437,094)
Apartment Proceeds			$ 70,417,614
Retail	15,000	$ 45.00	$ 675,000
Retail Vacancy @ 4%			$ (27,000)
Expenses @ 35%			$ (236,250)
NOI			$ 411,750
Retail Value (Cap rate @ 7.5%)			$ 5,490,000
Cost of Sale @ 2%			$ (109,800)
Retail Proceeds			$ 5,380,200
Net Proceeds			**$ 75,797,814**
Costs			
Land			$ 13,721,700
Site Work			$ 789,863
Hard Cost			$ 31,287,873
Parking			$ 8,022,519
Subtotal Costs			$ 53,821,955
Soft Costs @ 20%			$ 10,764,391
Total Costs			$ 64,586,346
Total profit			**$ 11,211,468**
Return on Cost			**17.36%**

Appendix E Return on Cost Analysis

Condominium Scenerio with 4.5 FAR				
Revenue	SF	Price/SF	Total	
Condominium Sales	165,995	$ 525.00	$	87,147,375
Cost of Sales @ 7%			$	(6,100,316)
Condomiumium Proceeds			$	81,047,059
Retail	15,000	$ 40.00	$	600,000
Retail Vacancy @ 4%			$	(24,000)
Expenses @ 35%			$	(210,000)
NOI			$	366,000
Retail Value (Cap Rate @ 7.5 %)			$	4,880,000
Cost of Sale @ 2%			$	(97,600)
Retail Proceeds			$	4,782,400
Total Proceeds			$	85,829,459
Costs				
Land			$	13,721,700
Site Work			$	789,863
Hard Cost			$	37,995,863
Parking			$	8,022,519
Subtotal Costs			$	60,529,945
Soft Costs @ 20%			$	12,105,989
Total Costs			$	72,635,934
Total profit			**$**	**13,193,525**
Return on Cost				**18.16%**

Appendix E Return on Cost Analysis

Office Scenerio with 3.15 FAR			
Revenue	SF	Price/SF	Total
Office	128,084	$ 41.00	$ 5,251,444
Apartment Vacancy @ 11%			$ (577,659)
Expenses @ 35%			$ (1,838,005)
NOI			$ 2,835,780
Office Value (Cap rate @ 7%)			$ 40,511,139
Cost of Sale @ 2%			$ (810,223)
Office Proceeds			$ 39,700,917
Retail	15,000	$ 45.00	$ 675,000
Retail Vacancy @ 4%			$ (27,000)
Expenses @ 35%			$ (236,250)
NOI			$ 411,750
Retail Value (Cap rate @ 7.5%)			$ 5,490,000
Cost of Sale @ 2%			$ (109,800)
Retail Proceeds			$ 5,380,200
Net Proceeds			**$ 45,081,117**
Costs			
Land			$ 13,721,700
Site Work			$ 600,000
Hard Cost @ $140/SF			$ 17,166,520
Parking			$ 12,990,658
Subtotal Costs			$ 44,478,878
Soft Costs @ 20%			$ 8,895,776
Total Costs			$ 53,374,654
Total profit			**$ (8,293,537)**
Return on Cost			**-15.54%**

Appendix E Return on Cost Analysis

Apartment Scenerio with 3.15 FAR			
Revenue	SF	Price/SF	Total
Apartment	128,084	$ 3.20	$ 4,918,426
Apartment Vacancy @ 3%			$ (147,553)
Expenses @ 35%			$ (1,721,449)
NOI			$ 3,049,424
Apartment Value (Cap rate @ 5.5%)			$ 55,444,070
Cost of Sale @ 2%			$ (1,108,881)
Apartment Proceeds			$ 54,335,189
Retail	15,000	$ 45.00	$ 675,000
Retail Vacancy @ 4%			$ (27,000)
Expenses @ 35%			$ (236,250)
NOI			$ 411,750
Retail Value (Cap rate @ 7.5%)			$ 5,490,000
Cost of Sale @ 2%			$ (109,800)
Retail Proceeds			$ 5,380,200
Net Proceeds			**$ 59,715,389**
Costs			
Land			$ 13,721,700
Site Work			$ 562,949
Hard Cost			$ 18,792,913
Parking			$ 5,348,461
Subtotal Costs			$ 38,426,023
Soft Costs @ 20%			$ 7,685,205
Total Costs			$ 46,111,228
Total profit			**$ 13,604,161**
Return on Cost			**29.50%**

Appendix E Return on Cost Analysis

Condominium Scenerio with 3.15 FAR (163,491 SF)				
Revenue	SF	Price/SF	Total	
Condominium Sales	128,084	$ 525.00	$	67,244,100
Cost of Sales @ 7%			$	(4,707,087)
Condomiumium Proceeds			$	62,537,013
Retail	15,000	$ 45.00	$	675,000
Retail Vacancy @ 4%			$	(27,000)
Expenses @ 35%			$	(236,250)
NOI			$	411,750
Retail Value (Cap Rate @ 7.5 %)			$	5,490,000
Cost of Sale @ 2%			$	(109,800)
Retail Proceeds			$	5,380,200
Total Proceeds			$	67,917,213
Costs				
Land			$	13,721,700
Site Work			$	564,309
Hard Cost			$	26,201,805
Parking			$	5,348,461
Subtotal Costs			$	45,836,275
Soft Costs @ 20%			$	9,167,255
Total Costs			$	55,003,530
Total profit			**$**	**12,913,683**
Return on Cost				**23.48%**